



KYOWA EXEO CORPORATION Integrated Report 2021



## KYOWA EXEO CORPORATION

On October 1, 2021, the Company name will change to EXEO Group, Inc.

*Engineering for Fusion*

Connecting our world - to all our tomorrows

Integrated Report  
**2021**

# Engineering for Fusion

Connecting our world - to all our tomorrows

Corporate philosophy

## Cultivating technological capabilities, seeking affluence, and contributing to society

The corporate philosophy of the Kyowa Exeo Group, which is the basic guideline for our corporate social responsibility, includes cultivating technological capabilities, seeking affluence, and contributing to society.

The corporate philosophy clearly answers the question: “Why does the Kyowa Exeo Group exist?”

The utmost ground for existence is the Group’s technological capabilities. Throughout its existence, the Group has aimed to be a corporate group that always anticipates and pursues better technologies at the forefront of leading-edge technologies.

The technological capabilities cultivated through these efforts will help create more affluent living environments for people.

The Group intends to be a valuable enterprise by contributing to society through activities in the pursuit of state-of-the-art technologies.

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### Editorial Policy

#### Referenced guidelines

- International Integrated Reporting Framework (International Integrated Reporting Council)
- Company-Investor Dialogue for Collaborative Value Creation (Ministry of Economy, Trade and Industry of Japan)
- GRI Sustainability Reporting Standards (Global Reporting Initiative)
- SASB Standards (Sustainability Accounting Standards Board)

#### Scope of reporting

Period: April 2020 to March 2021  
(includes some information relating to before or after the reporting period)  
Scope: Kyowa Exeo and its consolidated subsidiaries  
(in some cases Kyowa Exeo Corporation only)

#### Issued

August 2021 (Next scheduled issue: August 2022)

#### Notice on forward-looking statements

This corporate report contains forward-looking statements such as future business performance outlook of Kyowa Exeo. As these statements are based on the information available at the time of the preparation of this report, the actual results may differ materially from the content described or suggested therein due to various factors. As this corporate report is not intended for the purpose of soliciting investment, all users of this report are advised to undertake decisions concerning investment at their own discretion. The figures stated in units of ¥100 million and ¥1 million are rounded down.

# Cultivating technological capabilities

Since our founding in 1954, the technological capabilities that enable us to build high-quality information and communication infrastructure have been a consistent source of our competitiveness. With this in mind, we are striving to develop engineers in the information network cabling category—engineers who can serve as leaders of value creation. This is the top management priority at the Kyowa Exeo Group.

WorldSkills Competition  
Gold medal winners

# 5 employees

Held once every two years, the WorldSkills Competition is one of the world’s largest skills competitions, with contestants from around the world competing in more than 60 occupations. The Kyowa Exeo Group has had five gold medalists in the competition to date.



## Seeking affluence

Education has an enduring power to enrich children's lives. We provide learning device packages for schools that support the GIGA school program. In this way we help promote education that uses a tailored approach to foster the creativity of each individual student.

Elementary and junior high schools that have adopted the "Exeo GIGA School Package"

About **5,000** schools

The Kyowa Exeo Group has introduced its GIGA school package to approximately 5,000 schools, or approximately one sixth of all public elementary and junior high schools in Japan. By participating in this initiative, we are helping to enhance the educational ICT environment for children.

## Contributing to society

Amid mounting concerns about its expected impact, climate change has become an urgent priority for the international community. Through the construction and maintenance of solar power plants and biomass boilers, the Group aims to contribute to increased use of renewable energies. In this way, we are working toward the realization of a carbon-neutral society.

Power generation capacity of solar panels installed

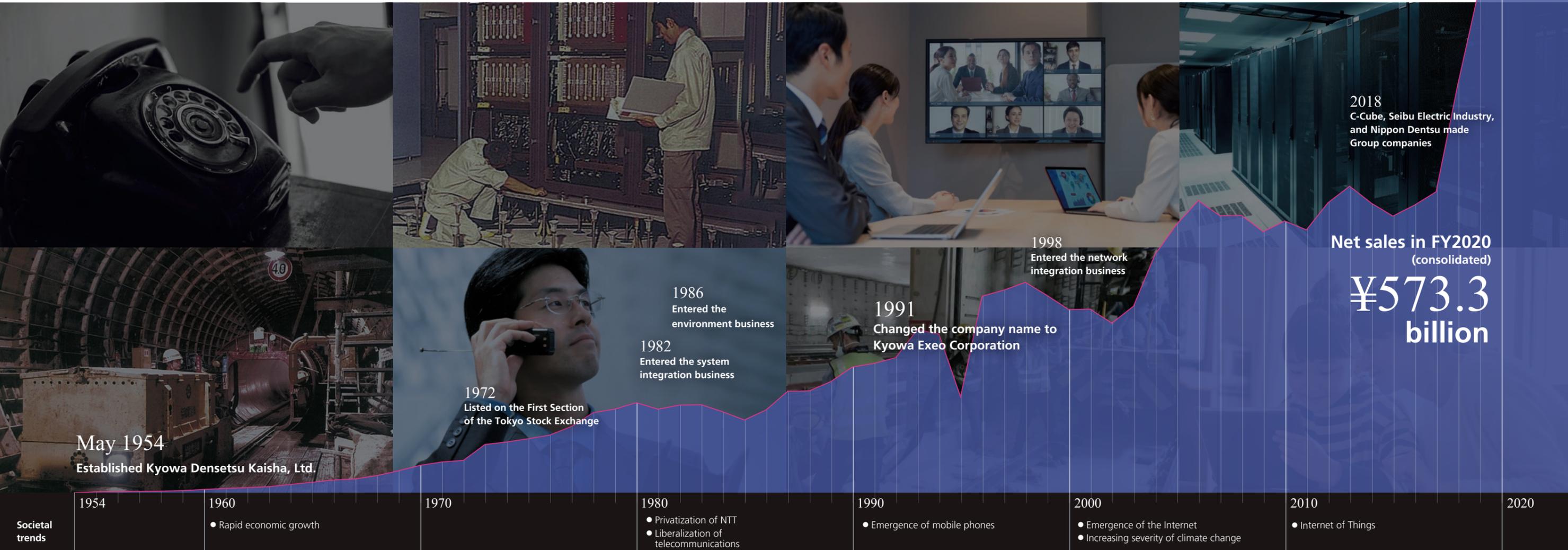
**612** MW

The Group is helping to build a recycling-oriented society through the design, construction, and maintenance of solar power generation facilities. As of the end of March 2021, the cumulative total of facilities constructed was 448 locations across Japan, with an aggregate power generation capacity of 612 MW.



# Our heritage and our future: Delivering value by connecting people

October 2021  
Change the company name to  
EXEO Group, Inc.



**1954-**  
**Development of a high-quality telecommunication infrastructure network across Japan**

As Japan entered a period of rapid economic growth, its telecommunication network, particularly telephones, became an indispensable aspect of its infrastructure. We were responsible for the construction of telecommunication facilities throughout Japan, contributing to the development of the telecommunication network.

**1970s**  
**Full-fledged overseas expansion of telecommunication infrastructure construction**

In addition to construction contracting, we began to engage in design work. We also started to receive orders for numerous projects overseas as well. We established local offices in locations such as Brazil and the Middle East, contributing to the development of telecommunication infrastructure around the world.

**1980s**  
**Expansion of business domains following liberalization of telecommunication business**

With the liberalization of telecommunication, the telecommunication industry entered a new era in which multiple operators competed to provide better services. We worked to diversify our business and meet the diverse needs of telecommunication carriers.

**1990s**  
**Responsible for the spread of mobile communications and the upgrading of communication networks**

In addition to the widespread use of cell phones, there was growing demand for high standard telecommunication networks such as optical fiber communication and digital communication. With this business environment providing a tailwind, we strengthened our construction capabilities to handle large-scale projects.

**2000s**  
**Expanding business in the environmental field to contribute to environmental issues**

Amid growing public concern about the environment, we expanded our services to provide integrated construction, operation, and maintenance of waste treatment facilities and biomass boilers. This enabled us to take advantage of our technical capabilities, cultivated through telecommunications construction.

**2010s**  
**Shift to total ICT solutions provider**

As businesses ramped up their efforts to adapt to the IoT era, characterized by the spread of smartphones and tablets and the shift to cloud services, we pivoted to become a total ICT solutions provider.

# Providing wide-ranging value to society using engineering capabilities

# cultivated over six decades

## Issues/Capital

### Social issues

- Environmental destruction, depletion of resources
- Aging infrastructure and natural threats
- Depopulation and hollowing-out due to a declining population

### Changes in industry and society

- Rapid technological innovation
- Change from goods to experiential services
- Changes in social awareness

### Capitals that support our capabilities

**Number of qualified employees (total)**  
 Construction/civil engineering 5,920

Electrical/environmental/communications engineering 14,963

IT 6,097

### Innovative work style reforms

Ranked 3.5 stars in the Nikkei Smart Work Management Survey

### Our workplace enables diverse human resources actively involved

Selected as Nadeshiko Brand in 2020 and as Semi-Nadeshiko Brand in 2021.

### Business locations

Japan: 37 (15 branches, 22 offices)  
 Overseas: 3 (Singapore, Philippines, and Thailand)

**Shareholders' Equity to Total Assets**  
 58.1%

## Business overview

### Telecommunications Carrier Business

We provide integrated, high-quality services from planning and design to construction, operation, and maintenance for all communication facilities of telecommunications carriers throughout Japan. This is backed by a proven track record and best-in-class technical capabilities in the construction of telecommunications networks, which we have cultivated since our founding. Our advanced technical capabilities have garnered accolades both at home and abroad, including five gold medals in the Information Network Cabling category at the WorldSkills Competition.

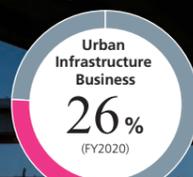
Sales composition by business



### Urban Infrastructure Business

We provide an integrated system from design and construction to maintenance, covering communication infrastructure including cable television and railroad communication facilities, electricity for office buildings and data centers as well as a variety of infrastructure works, including related facilities and urban civil engineering for pole-free facilities. Recently, we have been planning and proposing the provision of eco-technologies that have low environmental impact, such as solar power generation and biomass plants, while also offering a full range of services from construction to operation.

Sales composition by business



### System Solutions Business

We offer total solutions utilizing ICT in the development, maintenance and operation cloud-based enterprise communications network systems and various enterprise systems for telecom carriers and companies in the finance and manufacturing sectors.

Sales composition by business



## Value provided to society

### Enabling an advanced ICT society

- Continued upgrading of broadband telecommunications
- Contributing to building infrastructure that is resilient to natural disasters
- Improving the population coverage of communication areas
- Developing next-generation infrastructure in underpopulated areas (Project on Promoting Advanced Radio Environment Improvements)

#### Related SDGs



### Enabling a convenient urban lifestyle

- Ensures a globally comparable level of landscape by promoting the undergrounding of overhead power lines
- Expanding public investments for building national resilience
- Renewal of aging waste disposal plants
- Renewable energy sources, including biomass
- Promoting "barrier-free"

#### Related SDGs



### Realizing a prosperous society through IoT technologies

- Reform of industrial structures through the cloud, IoT, big data, etc.
- Promotes the deepening of communication
- Solutions for advanced security
- Providing the environment for work style reforms and productivity improvement
- Providing an ICT environment for high-quality education

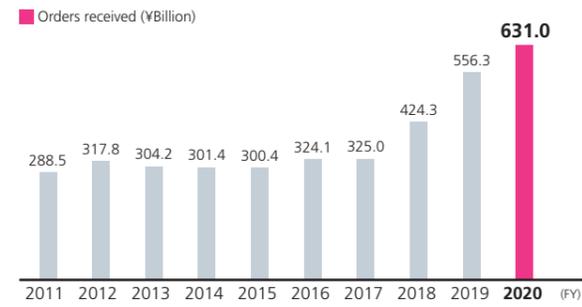
#### Related SDGs



Using technological capabilities to help build a more affluent society

Financial

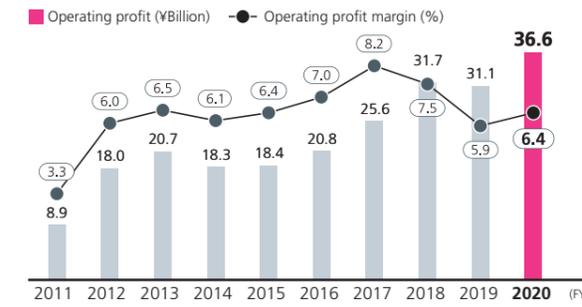
Orders received  
**¥631.0 billion** Change year on year +13%



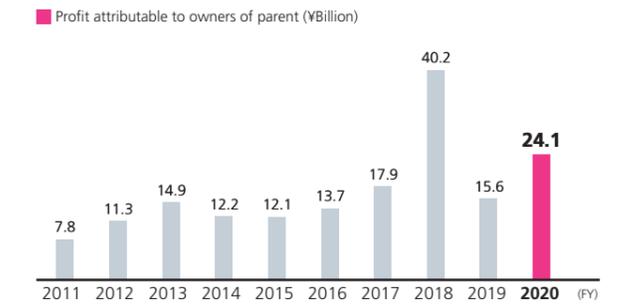
Net sales  
**¥573.3 billion** Change year on year +9%



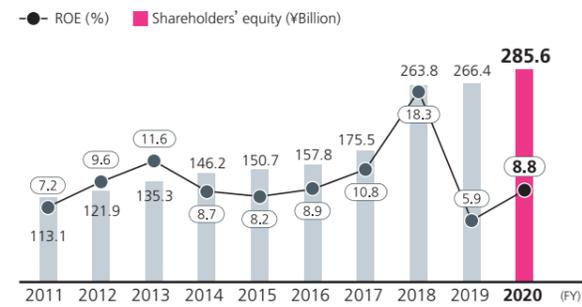
Operating profit  
**¥36.6 billion** Change year on year +18%



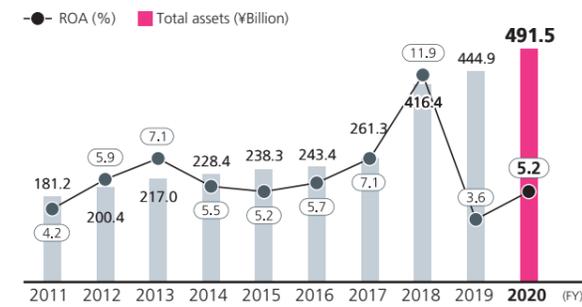
Profit attributable to owners of parent  
**¥24.1 billion** Change year on year +55%



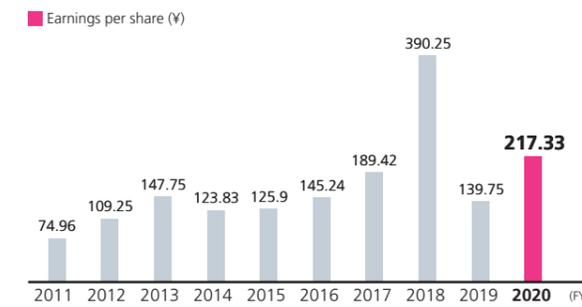
ROE  
**8.8%** Change year on year +2.9points



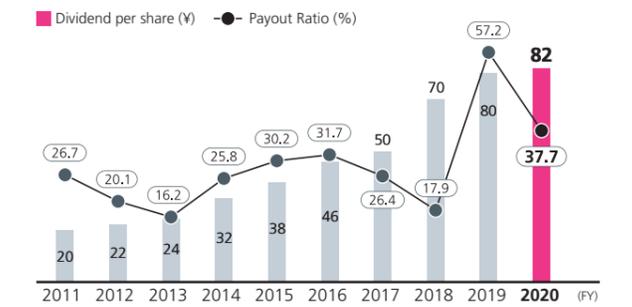
ROA  
**5.2%** Change year on year +1.6points



Earnings per share  
**¥217.33** Change year on year +56%



Dividend per share  
**¥82** Change year on year +3%

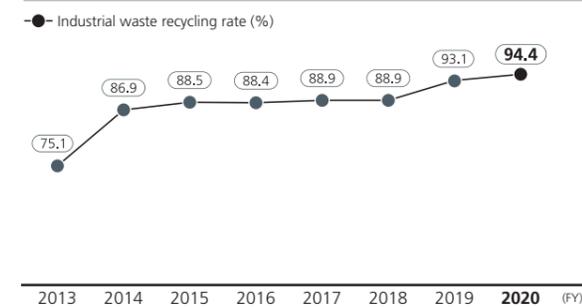


Non-financial Scope of data collection: Kyowa Exeo Corporation

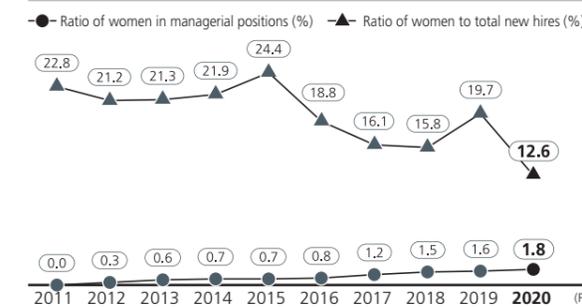
CO<sub>2</sub> emission  
**11.7 thousand t-CO<sub>2</sub>** Change year on year -7.5%



Industrial waste recycling rate  
**94.4%** Change year on year +1.3points

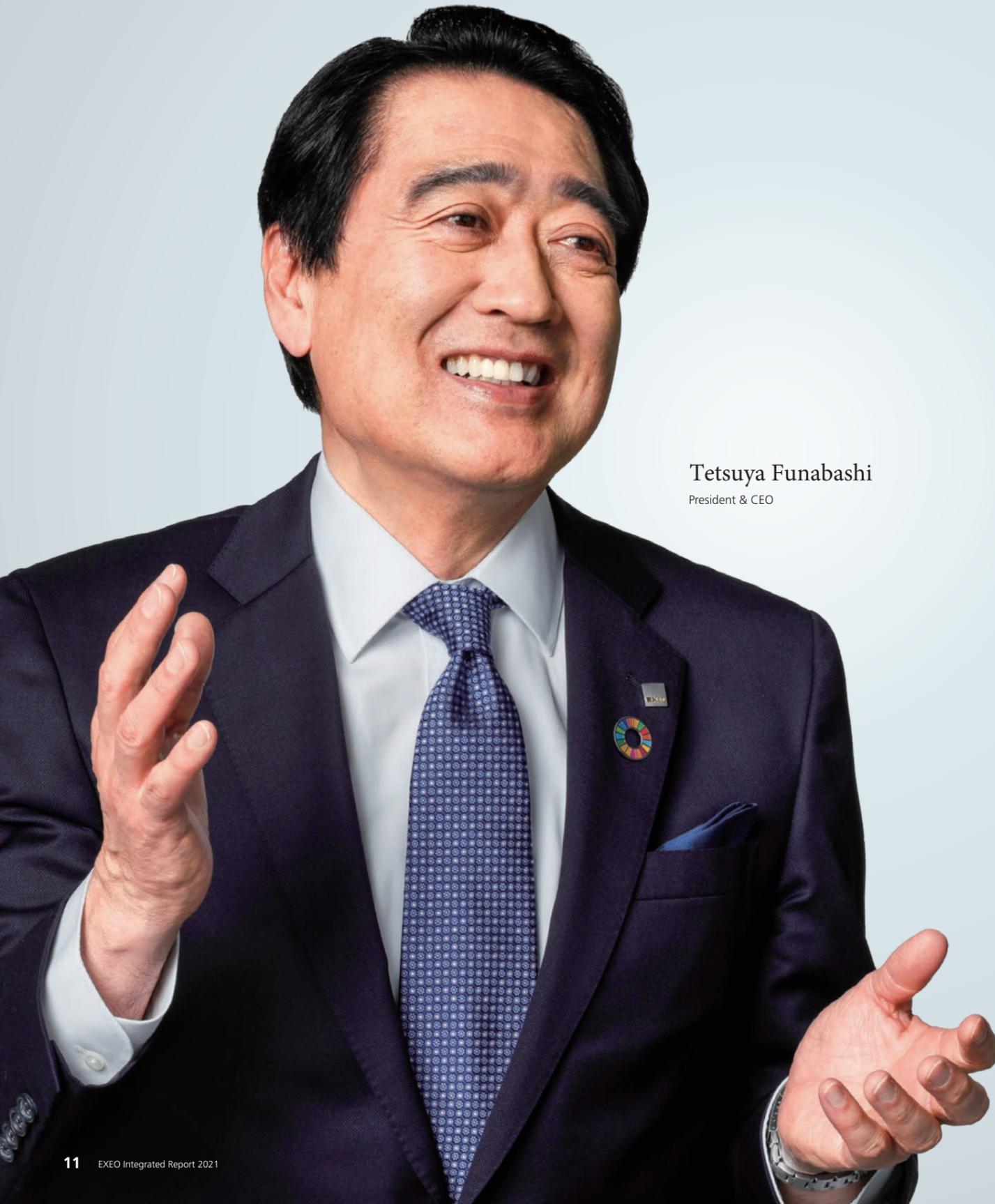


Ratio of women in managerial positions  
**1.8%** Change year on year +0.2points



Percentage of annual paid leave taken  
**64.0%** Change year on year +1.0points





**Tetsuya Funabashi**  
President & CEO

Guided by our 2030 Vision, we will embrace bold changes, breaking out of our mold in our endeavor to create new value.

#### Our purpose

**Using the strength of our on-site engineering capabilities to provide value to society in a wide range of fields**

Since its establishment in 1954, the Kyowa Exeo Group has helped to solve various social issues and to enrich people's lives. Maintaining our core competence in specialized technologies in the field of information and communications infrastructure, we have expanded our business domains to meet the needs of the times, including: electrical infrastructure, civil infrastructure, and environmental infrastructure; network integration; and system integration.

Our Group's greatest strength lies in the advanced technical capabilities that we have cultivated through our experience in many fields. In information and communications networks, we provide a full range of services throughout Japan, from planning and design to construction, operation, and maintenance of a wide range of telecommunications equipment. In urban infrastructure also, we contribute to society in various settings, using the electrical and civil engineering technologies that we have developed through telecommunications construction. Such settings include railroads, data centers, water supply and sewage systems, and waste treatment plants. In system solutions, we fully leverage ICT (Information and Communication Technology) solutions to meet the diverse needs of our customers, in areas such as business process reengineering, information security enhancement, and energy conservation. Using these diverse technical capabilities, we hope to create even more new value for society in the future. We will do this by combining our on-site capabilities in physical areas such as telecommunications, electricity, and civil engineering with our solution capabilities in cyberspace through ICT.

I believe that another strength of our Group is our corporate culture of never evading problems. In the process of construction, if we find that the cost or geographical conditions are difficult, we do not abandon the project, instead holding fast to our commitment to ensure that we respect the promised deadline. We maintain this firm determination to do our utmost as we work together with our subsidiaries and subcontractors. The foundation for the growth of our Group is the trust we have earned from our many customers through diligent and sincere work. Going forward, we will continue to place importance on this positive corporate culture.

#### Summary of previous medium-term management plan

**Achieved expansion in business scale through management integration  
Improving quality is our next challenge**

Fiscal 2020 was the final year of our previous medium-term management plan, which started in fiscal 2016. At the start of the medium-term management plan five years ago, the Group's consolidated net sales were less than ¥300.0 billion and operating profit was approximately



\*1 C-Cube, Seibu Electric Industry, and Nippon Dentsu

\*2 GIGA school program  
The Ministry of Education, Culture, Sports, Science and Technology (MEXT) is promoting this program, which provides one computer per student, integrating this with access to a high-speed, high-capacity communication network. The goal is to create an educational ICT environment that will leave no child behind, nurturing the qualities and abilities of a diverse range of children, including those with special needs.

¥20.0 billion. In fiscal 2018, the third year of the medium-term management plan, the Group merged with three west Japan-based companies\*1 in the same industry. As a result, we rapidly expanded the scale of our business, with Group net sales growing to more than ¥400.0 billion.

In light of this expansion in scale, we partially revised the performance targets of the medium-term management plan for fiscal 2019, raising the targets to orders received of ¥525.0 billion, net sales of ¥525.0 billion, and operating profit of ¥32.0 billion. When we formulated these targets, they were viewed as quite aggressive. But in fiscal 2020, the Group achieved orders of ¥631.0 billion, sales of ¥573.3 billion, and operating profit of ¥36.6 billion—all far exceeding the targets of the revised medium-term management plan. This was due to the acceleration of 5G base station development, the progress of the GIGA School Program\*2, and the promotion of digital transformation by companies as they adapted to new ways of working.

In this way, throughout the five years of the previous medium-term plan we have been able to achieve a certain degree of success in terms of expanding quantity. At the same time, however, we recognize that there are still issues that we must overcome in terms of improving the quality of Group management. We are focusing in particular on creating further synergies with the three companies in western Japan to enhance the profitability and earning power of the Group.

In fiscal 2017, prior to the business integration, our operating profit margin was the highest in the industry. However, since the profit margins of the three western Japan companies were relatively low, the profit margin of the entire Group temporarily declined immediately after the business integration.

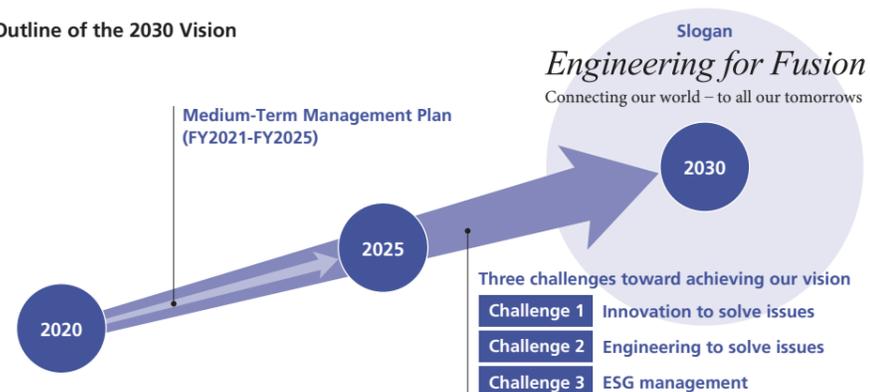
Over the following two years, we implemented rationalization and cost reduction efforts at individual companies as well as group-wide collaboration measures. As a result of these efforts, we have already improved our profit margin to a certain extent. We believe, however, that by standardizing business processes and pursuing synergies we can further strengthen the profitability of the entire Group.

**Aims of the 2030 Vision**

**Realizing our vision while helping to solve social issues**

The Kyowa Exeo Group recently announced “2030 Vision,” our long-term management strategy. Since I became vice president three years ago, I felt that there was a need for a management strategy that would take a medium- to long-term perspective. As mentioned above, we have a good corporate culture that advocates tackling the job at hand with sincerity. However, in today’s rapidly changing business environment, the pursuit of sustainable growth requires awareness of the major trends in society. We must look a little higher and further into the distance, trying to visualize the Company that we want to be in the future. That is how we can become a company where employees are inspired to be creative, where young employees can also feel excited and optimistic about the future. With this in mind, about two years ago,

**Outline of the 2030 Vision**



→ p.17 “2030 Vision, the Medium-Term Management Plan”

we began discussing the formulation of a long-term vision within the company, asking ourselves questions such as what kind of company we want to be in 10 years and what kind of work we would need to do to achieve that vision. Through a series of discussions with each department, including young employees from group companies, we determined the vision of the company in 2030, along with strategies and goals to achieve this.

The basic premise of the long-term vision is that the mission and purpose of a company is to help solve various social issues. We considered from various angles how we can contribute to the many social issues, such as environmental and resource problems, as indicated in the United Nations SDGs. As a result of that process, we have set four models for the society we want to pursue for 2030. To achieve these goals, we have clarified the areas in which the Group can contribute and the services and solutions that we should provide.

The slogan for the overall vision is “Engineering for fusion— Connecting our world - to all our tomorrows.” This phrase encapsulates our intention to create a new field of engineering by fusing, through a platform, our engineering capabilities in the physical space with our solution capabilities in the cyber space. Through this approach we will pursue sustainable growth, creating value that contributes to society.

We have identified three challenges that we need to address to create new value. The first challenge is to promote innovation. First, we will promote the digital transformation of our own operations. We will then focus on developing various digital solutions to help solve our customers’ problems.

In the future, we aim to build a platform that is optimized for specific issues that customers face in areas such as data analysis, security, and robotics. We will do this by promoting open innovation. We will no longer adhere to the principle of self-sufficiency, instead enlisting the help of external experts with knowledge and expertise that we do not have in-house. The second challenge is to solve problems through engineering. We will create new value for society in the engineering fields of transportation and mobility, environment, urban space, and infrastructure regeneration through “engineering that connects,” integrating the various business fields in which we have been involved. The third challenge is to implement ESG management. We will set KPIs for the environment, society, and governance, as well as specific targets, promoting systematic, continuous efforts to achieve them.

While preserving our positive corporate culture of working diligently to the end and not evading problems, we will also take on the challenge of making bold changes. We will form cross-Group initiatives so that we can break out of our mold and realize our vision for the future.

**Goals of the new medium-term management plan**

**Pursue higher value-added services in each of our three business domains**

From fiscal 2021, we have started a new medium-term management plan (2021-2025) based on the 2030 Vision. In fiscal 2025, the final year of the plan, we aim to achieve net sales of ¥630.0 billion, operating profit of ¥47.0 billion (operating profit margin of 7.5%), ROE of 9.0% or higher, and EPS of ¥280 or higher.

In each of our three businesses of telecommunications carriers, urban infrastructure, and system solutions, we will identify the issues and measures that we need to take to overcome them. We will formulate growth strategies based around the provision of higher value-added services and implement these in our activities.

In the telecommunications carrier business, our current key theme is responding efficiently to 5G. Although the number of installed stations is expected to increase going forward due to the rapid development of 5G infrastructure, the total amount of orders received may not increase significantly. This is because 5G wireless base stations are expected to become smaller and the unit cost of construction is expected to decrease. In addition, in light of Japan’s declining birthrate and aging population, acquiring construction personnel is likely to become even more difficult in the future. To secure a certain level of profit even under such circumstances, we will improve the efficiency of the construction process, including the use of digital transformation and promoting multi-skilling among our staff.

→ p.25 “Strategy by Segment”

**\*3 BIM/CIM**

A system to optimize and enhance not only construction and maintenance management but also the full range of construction work through the application of 3D models in the planning, survey, and design stages.

In the urban infrastructure business, a major theme is the development of new domains. In terms of area development, we hope to increase electrical work for properties such as office buildings in the Tokyo metropolitan area and the Kansai region, not only for new construction, but also for renovation work. We will also consider mergers and acquisitions to expand our business. In addition, in our specialty area of data centers, our task is to expand orders not only for electrical work, the most difficult core part, but also for telecommunications equipment, server racks, and air conditioning equipment within the facility. By using advanced digital technologies such as BIM/CIM<sup>\*3</sup> and AI to automate design, cost estimation and to reform work follow-up, we will increase the number of complex orders for one-stop services that cover the entire building.

In the system solutions business, our theme will focus on generating even higher added value. The Group's system solutions business originally grew through the development of large-scale software on consignment, but it is difficult to increase profitability through this approach alone. We need to pivot to a new business model based on co-creation and collaboration with customers. As well as venturing into higher value-added fields such as AI, robotics, and drones, we must provide a complete range of services from consulting to software development, hardware installation, maintenance and operation, and data analysis. With this objective in mind, we launched the Digital Consulting Headquarters last year and have started activities by gathering members from divisions across our organization.

**Global expansion**

**Tackling new businesses that are feasible only in overseas markets**

Alongside implementing the above business strategies, during the five years of this medium-term management plan we would like to again take on the challenge of expanding our business overseas. Our current overseas operations include local subsidiaries in the Philippines, Thailand, and Singapore, as well as Exeo Global, the operating company we established in Singapore in 2018 to oversee regional business operations in Asia. We will for the time being continue to focus on using the experience and technological capabilities we have cultivated in Japan to target the APAC (Asia Pacific) region, while at the same time pursuing market development through M&A. By 2025, we aim to have grown our top line to the extent that our overseas business comprises a certain percentage of our portfolio.

In developing overseas business, we aim to actively experiment with businesses that would be difficult for us to attempt in Japan. We have already launched, as one of our system solution businesses, a new business in Singapore, namely our digital platform business for customs clearance, which has captured a certain share of the market. This platform centers around import- and export-related procedures between government agencies and logistics providers. It contributes to smooth and paperless international trade by making these procedures available to users digitally. By tackling overseas the challenges of domains in which we have yet to gain experience, we aim to broaden the scope of our business. As we strengthen these capabilities, we will take the knowledge and expertise we acquire and feed that back to Japan or apply it to other regions.

**Strengthening our management base**

**Focus on continuous improvement of safety and quality as well as enhancing people development and group management**

In our medium-term management plan, we will work to further strengthen our management base alongside pursuing our growth strategies for each business segment. We place particular emphasis on safety and quality as the foundation that supports the continuity of our business. Improving safety and quality is a never-ending challenge. But it is one that we will work relentlessly in addressing, as we continue to invest in taking our safety and quality to the next level.

We will also work to strengthen the development of our employees, arguably a company's

most important management resource. Against the backdrop of Japan's declining birthrate and aging population, developing the talent who will take responsibility for the future of the Company has become a major issue for our Group. Our employees development has to date emphasized on-the-job training in the workplace, based on a mentoring system. However, to be able to respond to today's rapidly changing business environment, we must accelerate our employees development through a more systematic approach to our education system and training programs. With this in mind, this year we established an independent organization called the Human Resources Development Department, which is separate from the Human Resources Department. Going forward, the Human Resources Development Department will collaborate with the staff in charge of training at each department and branch to promote group-wide human resources allocation and training plans that emphasize overall optimization based on the group-wide Career Development Program (CDP). We also intend to promote flexible personnel exchanges in the future, including overseas personnel.

Strengthening group management is also an important issue toward ensuring sustainable growth moving forward. We see two aspects to this. The first aspect is the visualization and standardization of business processes. We are promoting process standardization through the unification of management systems. As a first step, from the summer of 2021, we are transitioning our process management of fixed-line access construction<sup>\*4</sup>, previously separate for eastern and western Japan, to a unified nationwide system. We also plan to standardize the process for mobile construction by the end of this fiscal year. In addition, over the next few years, we will build an integrated system for core systems, including accounting, to standardize business processes across the entire Group. The other aspect is sales cooperation. To build a new system for cooperation, such as mutual support for operations in order-taking activities and construction, we have started to regularly hold cross-Group meetings. We will aim to allocate management resources flexibly to maximize the Group's strengths. Through dynamic personnel exchanges, we hope to change attitudes and foster the perspective of overall optimization throughout the Group.

**Message to stakeholders**

**Combining the Group's strengths and continuing to grow as one**

On October 1 of this year, the Group will change its name from Kyowa Exeo to the Exeo Group. Our company was established in 1954 as Kyowa Densetsu. When we decided 30 years ago to expand into areas other than electrical installation and telecommunications construction, we added to our company name the Latin word "exeo," which refers to breaking out of one's mold and venturing out. This is how we became "Kyowa Exeo." Over the following 30 years, our group companies grew to more than 100, and we also greatly expanded our business domains. For us to continue to grow, however, we must recombine the diversified management resources of the Group and create new value. To achieve this, we must strengthen our Group management more than ever before.

Our new company name, Exeo Group, expresses our strong desire for every individual member of the Group to apply their abilities and work together as one team to realize our future.

To solve social issues—the universal mission of a company—we will continue to integrate our engineering capabilities and hardware and software technologies and development capabilities, as well as advanced technologies including AI. We aim to become a company that is needed not only in Japan but also in the global society. Thank you to all of our stakeholders for your continued understanding and support of our Group.

August 2021

*T. Funabashi*  
President & CEO

→ p.36 "Human Capital".

**\*4 Access construction**

Construction of communication lines connecting telecommunications carriers' base facilities with end users.



# Connecting engineering technologies to solve social issues

Solving social issues is the universal mission of the Kyowa Exeo Group. Our Group has the ability to use innovation to connect and combine diverse engineering fields. We will continue to embrace new challenges, aiming to be a corporate group that is needed by society not only in Japan but also worldwide.

## Social issues

### Environmental destruction, depletion of resources

- Global warming and climate change due to CO<sub>2</sub> emissions
- The effects of microplastics on ecosystems
- The depletion of resources associated with economic growth

### Aging infrastructure and natural threats

- Renovation of aging infrastructure
- Preparation for frequent natural disasters
- Response to the new normal created by the COVID-19 pandemic

### Depopulation and hollowing out due to a declining population

- Declining birthrate and aging population, evident decline of the working-age population
- Depopulation and aging in rural areas
- Hollowing out and the decline of cities

## Changes in industry and society

### Rapid technological innovation

- Development of information and communications technology, including the change from 5G to 6G
- Changes in everyday life due to AI and robotics
- Signs of a new society due to DX (Society 5.0)

### Change from goods to experiential services

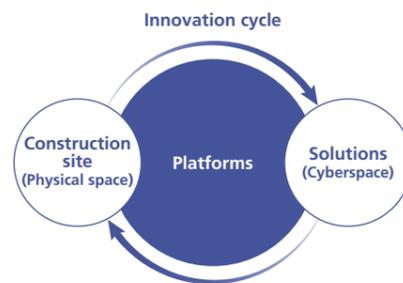
- Change of services from ownership to use, such as XaaS
- Providing added value through digital services
- Changing the business model to create new businesses

### Changes in social awareness

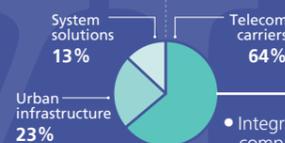
- Increasing awareness of human rights, including LGBTQ rights
- Progress in diversity and inclusion
- SDGs and ESG as essential indicators

## Role of the Group

To realize our vision of society in 2030, we will connect engineering sites and solutions to create a cycle of innovation. We will expand into new engineering fields and work to solve social issues.



## Image of business portfolio transformation



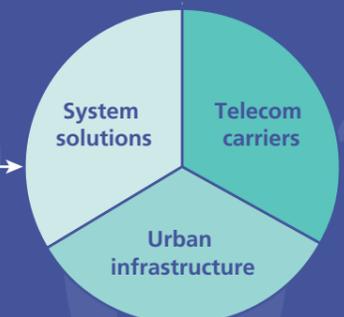
- Integration of three companies in the same industry in western Japan
- Expansion of operations through M&A activities
- Promotion of global business



- Entry into the social infrastructure renovation business
- Expansion of the renewable energy business
- Entry into a new phase in global business



- Expansion into new business fields
- ESG management to enhance corporate value
- To become a company that contributes to the achievement of the SDGs



Sales of the three segments to be 1:1:1

Medium-Term Management Plan (FY2021-FY2025) → p.21

2030 Vision

# Engineering for Fusion

Connecting our world – to all our tomorrows

## Three challenges toward achieving our vision

Challenge 1	Innovation to solve issues
Challenge 2	Engineering to solve issues
Challenge 3	ESG management

→ p.19

## Vision of society in 2030

Carbon-neutral society
A smart society where people live healthy and vibrant lives
Global society where diversity is enjoyed
Society without poverty or inequality

→ p.20

## Three challenges toward achieving 2030 Vision

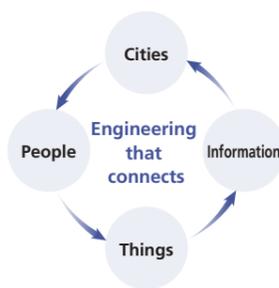
### Challenge 1 Innovation to solve issues

Promotion of innovation and digital transformation to build a standardized engineering platform



### Challenge 2 Engineering to solve issues

Integrating diverse engineering fields to create new value and solve issues



#### Possible main engineering fields

##### Transportation, mobility

- Public infrastructure development in response to the increasing mobility of people and increasingly complicated logistics
- Development of 5G, AI and robotics, including automated driving and communications infrastructure

##### City: data space, offices

- Expansion of data centers in response to the increasing use of cloud services
- Urban development including the development of smart offices and smart cities

##### Environment, energy

- Promotion of renewable energy as an initiative mitigating global warming
- Promotion of actions for the recycling of resources

##### Infrastructure renovation

- Response to demand for renovation and replacement
- Response for the renovation and maintenance of aging infrastructure

### Challenge 3 ESG management

ESG management to enhance corporate value and contribute to the achievement of the SDGs



#### Social issues

- Environmental destruction, climate change → Renewable energy business
- Depletion of resources, reduction of waste → Reuse business
- Aging infrastructure → Infrastructure renewal business
- Declining working-age population → Robotics, AI and automation solutions
- "Smarter society" → Infrastructure platform

#### Solutions to issues

- Management in consideration of a sustainable environment
- Promoting workstyle reforms and diversity
- Maintaining and enhancing corporate governance

## Vision of society in 2030

### Carbon-neutral society

- The sophistication of resource recycling and energy
- Enhancement of renewable energy plants and zero waste gases

### Global society where diversity is enjoyed

- Workstyle reforms that consider globalization and diversity
- Development of communications infrastructure in APAC

### A smart society where people live healthy and vibrant lives

- Smart cities, buildings and homes using advanced communications
- Medical, government and social systems for an aging society

### Society without poverty or inequality

- Education solutions for equal opportunities in education
- Digitalization of industry to eliminate inequalities in industry



FCV/EV



Smart grids



Drone services



Transportation system



Smart factories



6G service



Administrative system



Renovation of aging infrastructure



Local 5G



Biomass



Mega-solar power plants



Resource recycling system



Smart grids



Offshore wind power



Local 5G



Renovation of aging infrastructure



AgriTech



Smart forestry



Smart grids



Smart house



Telework



Healthcare



Wearable



E-learning



Online service



Remote learning



Reuse/Recycle



Urban infrastructure



Trade platform



FinTech



XaaS



Neutral hosting



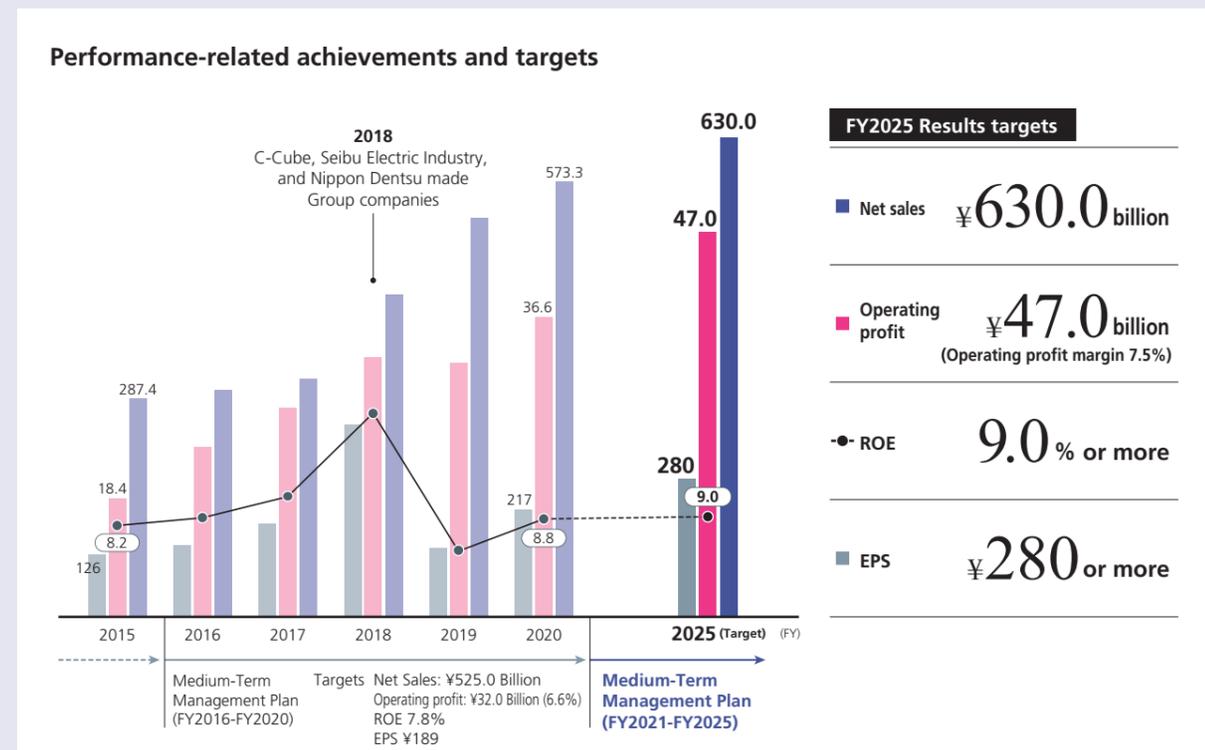
Offshore



Communications infrastructure

## Medium-Term Management Plan (FY2021-FY2025)

We will spend the next five years building a solid foundation for realizing our vision for society in 2030.



### Strengthening our management base

In the first five years leading up to 2030, we will work to strengthen our management base. We will do this not only using business strategies to achieve our performance targets, but also by pursuing the six themes listed on the right.

We will strive to build a stronger foundation through our own ideas, creativity, and ingenuity, as well as through active participation in initiatives to address important social issues of recent times and related businesses. Of these, human resources strategy is positioned as a particularly important theme. As we continue to respond to the work styles of the new era, we will position talent acquisition and development as a central issue for carrying out new businesses.

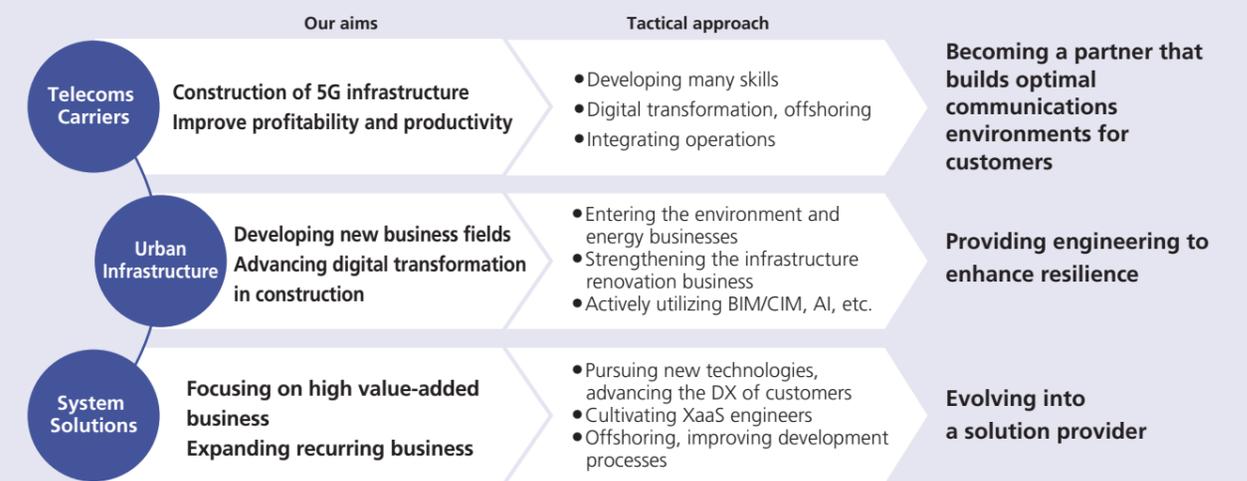
In addition, we will aim for sound business growth while always maintaining awareness of the perspective of overall Group optimization. We will also strive to improve productivity and create new value through the effective use of digital transformation.

→ p.23 Medium-Term Management Plan (FY2021-FY2025)



### Strategies in each business

To achieve our performance targets for fiscal 2025, we will continue to take on the challenge of further expanding our business by accurately grasping changes in society and the market. We will pursue our vision for each segment with an eye to 2030.



### ESG Goals

	Challenges to address	KPI	Targets for FY2025	Related SDGs
Environment	Shift to renewable energy	Purchase of electricity from renewable energy sources (Target: Company-managed sites)	100%	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES
	Initiatives toward decarbonization, reduction of CO <sub>2</sub> emissions	Rate of adoption of EVs and other low-emission vehicles	100%	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 15 LIFE ON LAND
		CO <sub>2</sub> emissions	10% reduction from FY2020 level	
	Contribution to a resource recycling-oriented society	Final disposal rate of industrial waste	50% reduction from FY2020 level	
	Use of environmentally friendly green products	Green product use rate	65%	
Social	Ensuring safety and quality in business	Serious bodily injury and serious equipment accidents	Aim for zero	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 GENDER EQUALITY
		Number of women in management positions	1.5 times compared to FY2020	
	Promotion of Diversity & Inclusion	Number of female employees	25% increase over FY2020	
		Percentage of male employees taking childcare leave	20%	
Driving work style reforms	Percentage of paid leave used	80%		
Governance	Achieving transparent management	Ensure diversity in the Board of Directors and Board of Statutory Auditors	—	10 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Ensuring strict compliance	Serious violations of laws and regulations	Aim for zero	
	Ensuring thorough risk management	Serious information security incidents	Aim for zero	
Rate of risk assessment implementation for cases involving significant business risks		100%		

→ p33. Value creation capabilities

Medium-Term Management Plan (FY2021-FY2025)

# Strengthening our management base

	Theme	Initiative
 <p><b>Safety, quality, BCP</b></p>	<b>Responding to changes in the business environment</b>	<ul style="list-style-type: none"> <li>Promotion of safe construction through the use of new technologies (AI, VR/AR, etc.)</li> <li>Quality improvement through on-site ideas (utilization of intellectual property)</li> <li>Rapid adaptation to various risks (natural disasters, pandemics, etc.)</li> </ul>
	<b>Fostering an organization/culture that supports safety and quality</b>	<ul style="list-style-type: none"> <li>Further penetration of safety and quality-oriented culture (thorough implementation of basic operations)</li> <li>Continuation of the crisis management system (permanent establishment of the Crisis Management Office)</li> </ul>
 <p><b>Environment, energy</b></p>	<b>Active contribution to environment-related business</b>	<ul style="list-style-type: none"> <li>Developing the biomass business</li> <li>Taking on the challenge of building offshore wind power generation facilities</li> <li>Continue to build renewable energy facilities, including solar power facilities (including solar power plants, solar power + off-grid batteries, electric vehicle power supplies)</li> </ul>
	<b>Promotion of the use of renewable energy</b>	<ul style="list-style-type: none"> <li>Introducing net zero energy buildings (ZEB)</li> <li>Purchase of electricity from renewable energy sources</li> </ul>
	<b>Reducing the Company's CO<sub>2</sub> emissions</b>	<ul style="list-style-type: none"> <li>Shifting to low-emissions vehicles, including electric vehicles (replacing all general vehicles, including those used in sales activities, by 2025)</li> </ul>
	<b>Promoting energy-saving activities</b>	<ul style="list-style-type: none"> <li>Promoting the purchase of green products</li> <li>Promoting telework and paperless operations</li> </ul>
 <p><b>Human resources strategy</b></p>	<b>Enhancing adaptability to enable human resources to adapt to changes in the business environment</b>	<ul style="list-style-type: none"> <li>Hiring more work-ready human resources</li> <li>Enhancing online training to cultivate human resources quickly</li> </ul>
	<b>Increasing labor productivity</b>	<ul style="list-style-type: none"> <li>Hiring the high-level IT personnel necessary for digitalization</li> <li>Increasing the visibility of labor management and establishing appropriate working hours</li> </ul>
	<b>Developing a culture where diverse values are respected</b>	<ul style="list-style-type: none"> <li>Promoting diversity and inclusion</li> <li>Personnel exchange throughout the Group, including in global operations</li> </ul>
	<b>Responding to new ways of working in the new normal created by the COVID-19 pandemic</b>	<ul style="list-style-type: none"> <li>Rebuilding the personnel system in response to new ways of working</li> <li>Cultivation and assignment of employees according to each individual's capabilities and career path</li> </ul>

	Theme	Initiative
 <p><b>Financial strategy</b></p>	<b>Achieving a stable financial base</b>	<ul style="list-style-type: none"> <li>Keeping the equity ratio high</li> <li>Financing mainly through interest-bearing debt, including straight bonds and green bonds</li> </ul>
	<b>Active investment for growth</b>	<ul style="list-style-type: none"> <li>Focusing on investment in growth areas and on strengthening businesses — Investing in three areas: M&amp;A, innovation and digitalization</li> </ul>
	<b>Stable and flexible shareholder returns</b>	<ul style="list-style-type: none"> <li>Continuing to pay stable dividends</li> <li>Continuing flexible stock buybacks</li> </ul>
 <p><b>Group management</b></p>	<b>Flexible and agile Group management</b>	<ul style="list-style-type: none"> <li>Integrating/dividing subsidiaries based on business domains/areas</li> <li>Maximizing construction/development capabilities by focusing on fields where the Group is strong</li> <li>Shifting resources to flexibly use human resources within the Group</li> </ul>
	<b>Synergies utilizing the Group's strengths</b>	<ul style="list-style-type: none"> <li>Community-based business development taking advantage of each company's presence</li> <li>Evaluating the businesses of Group companies in consideration of comprehensive optimization</li> <li>Using the Group's own benchmarks, including safety and security benchmarks</li> </ul>
 <p><b>Advancement of DX</b></p>	<b>Strengthening the management foundation through digitalization</b>	<ul style="list-style-type: none"> <li>Automating business processes using ServiceNow and RPA</li> <li>Expediting management decisions using BI and analytics tools</li> <li>Enhancing the security of business operations</li> <li>Increasing productivity through nearshoring and offshoring</li> </ul>
	<b>Creating new value through solutions</b>	<ul style="list-style-type: none"> <li>Leveraging BIM and CIM to achieve smart construction</li> <li>Transforming security into a service to expand earnings</li> <li>Creating new services by applying business models used in new fields overseas</li> </ul>



We will aim to maximize corporate value by considering risks and protecting our financials.

**Hideo Higuchi**  
 Director and Managing Operating Officer  
 General Manager of Accounts &  
 Finance Division

**The role of the Finance Division**

The role of the Finance Division, as I see it, is ultimately to protect the company. I tell my staff that to fulfill this mission we must be guided each day by three principles as our code of conduct.

The first is risk analysis and information sharing. The Finance Division receives a variety of information from day to day from our business divisions, branch offices, and group companies across the country. We must carefully review this content to understand the movements within the Group and promptly share information on items that may involve risk. The second principle is working to reduce costs by improving operational efficiency and managing funds. Our Accounts & Finance Division is also in charge of managing corporate pension funds. We contribute to the Group's profits by practicing optimal fund management. The third principle is to strive for accurate and conservative accounting and disclosure. I believe that an important role of the Finance Division is to prevent the loss of trust in the company by ensuring that information disclosure is based on the facts.

**Fiscal 2020 results**

Overall, we achieved steady financial performance in fiscal 2020. At the beginning of the fiscal year, we were cautious in our forecasts for both orders and sales due to the impact of the worsening COVID-19 pandemic. As a result, we were

able to significantly exceed our initial targets, with orders received of ¥631.0 billion (up 13% year on year) and net sales of ¥573.3 billion (up 9% year on year), both of which marked significant increases from the previous year.

The main factors behind the increases in orders and sales were strong growth in the system solutions business due to the GIGA School program promoted by the government, and an increase in optical fiber installation work in rural areas due to progress in the Advanced Wireless Environment Development Promotion Project. In addition, the telecommunications carrier business performed favorably due to wireless base station construction for various telecommunications carrier companies, while the urban infrastructure business benefited due to data center construction.

With regard to wireless base station construction and the GIGA School project, customers appreciated the synergies we generated through our Group-wide efforts, such as the sharing of sales information with major subsidiaries and mutual support for construction operations, which led to strong order growth.

In terms of profit, operating profit increased 18% to ¥36.6 billion. Our operating profit margin improved to 6.4% from 5.9% in the previous fiscal year, due to the effect of higher revenue, improved construction efficiency following a review of our Group-wide construction system, and increased productivity through the promotion of digital transformation.

**Financial strategy in the medium-term management plan**

In the new medium-term management plan that started in fiscal 2021, we have positioned return on equity (ROE) and earnings per share (EPS) as important indicators alongside net sales and operating profit as performance targets for the final year (fiscal 2025). We have set ROE of 9% or higher and EPS of ¥280 or higher as our performance targets for fiscal 2025.

The main goal of our strategy is to continuously improve profitability and capital efficiency—in other words, the earning power of the Company, which declined after the business integration with the three companies in western Japan. A major key to achieving this is strengthening Group management. I believe that it is important to control costs by improving the efficiency of existing businesses, sharing backyard operations, and digitalizing them. At the same time, we must mobilize the management resources of each Group company, investing these in growth areas. In this way we can create synergies through multiplication rather than mere addition.

To improve the ROE of the entire Group, we are placing particular emphasis on operating profit (amount and ratio) in the performance management of each business division and Group company. By using operating profit (amount and ratio) by business as an indicator, we will monitor the current situation, the effects of each measure, and the future outlook. This will enable us to improve operational efficiency and construction efficiency, and to reduce indirect costs. In addition, we will aim to strengthen the earning power of the Group as a whole by creating synergies in construction and indirect operations including system sharing.

**Investment strategy**

In making investments, we determine the necessity and appropriateness of each project by considering it in the context of our long-term vision “Engineering for Fusion - Connecting our world - to all our tomorrows,” the key strategies of our medium-term management plan, which is based on that vision, as well as our business performance, capital needs, and financial indicators. In M&A, after confirming that a target aligns with the right direction for the Group, we make a comprehensive decision based on

consideration of a range of perspectives, by weighing the future potential of the investment project along with the efficiency and risk of the investment.

We will continue to maintain a capital adequacy ratio of around 55%, using bank loans and corporate bonds to pursue M&A of domestic and overseas companies that are engaged in businesses that have high compatibility with our Group. We will make upfront investments in areas that can become future business pillars, toward achieving sustainable growth for our Group. In terms of global expansion, we will continue to invest aggressively in M&A and other activities, focusing on the high-growth Southeast Asian region.

We will also continue to invest in digital transformation to reform business processes and value chains through the use of digital technology and to improve operational efficiency by promoting innovation. In addition, as part of our ESG promotion efforts, we will continue to invest in strengthening businesses that contribute to solving social problems such as environmental and energy issues, aging society, and regional revitalization.

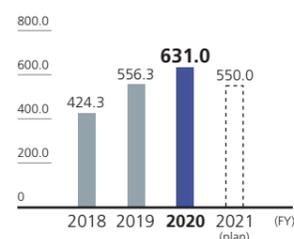
**Shareholder returns**

We regard the return of profits to our shareholders as one of the most important management tasks. Our basic policy is to provide stable dividends on an ongoing basis. We have introduced the dividend on equity (DOE) as an indicator starting with the year-end dividend for fiscal 2015. We calculate the annual dividend with a target DOE of 3.5%. For fiscal 2020, we plan to pay an annual dividend of ¥82 per share, an increase of ¥2 from the previous year. For fiscal 2021, we plan to pay an annual dividend of ¥88 per share, which will mark the 10th consecutive year of dividend increases.

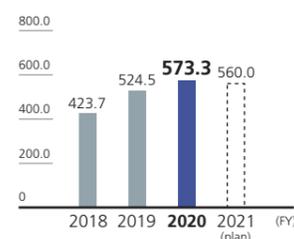
Our policy is to implement share repurchases in a flexible manner while comprehensively taking into account market trends, cash situation, stock price levels, and other factors. In fiscal 2020, we conducted a buyback of ¥3.0 billion of our own shares. We plan to carry out a similar buyback in fiscal 2021.

The Group will continue to aim for sustainable growth in corporate value and shareholder value. Thank you to all for your continued understanding and support.

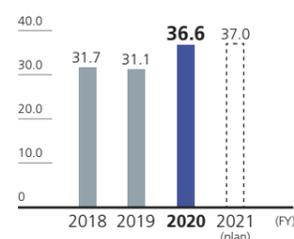
**Orders received (¥Billion)**



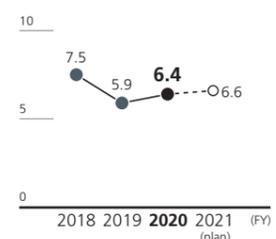
**Net sales (¥Billion)**



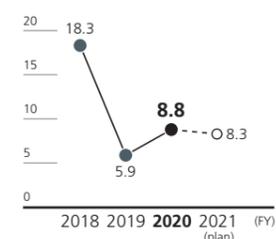
**Operating profit (¥Billion)**



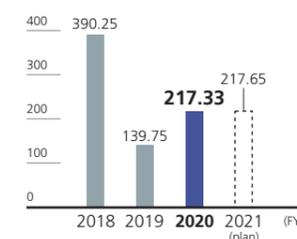
**Operating profit margin (%)**



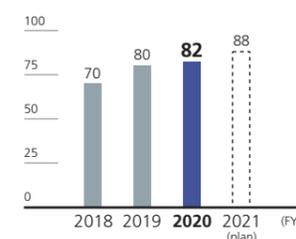
**ROE (%)**



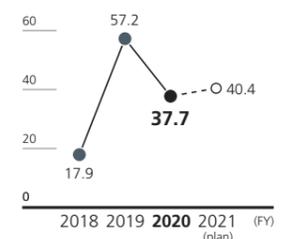
**Earnings per share (¥)**



**Dividend per share (¥)**



**Payout ratio (%)**



# Telecom Carriers Business

We provide nationwide services for telecommunications carrier operators, contributing to the enhancement of telecommunications infrastructure.



## Market risks and opportunities

### Risks

This business is closely linked to the capital expenditure of the telecommunications carriers that are our customers. Its performance is therefore easily affected by government policy or by the business strategies of each carrier. Our role as the Group responsible for telecommunications infrastructure construction requires us to be competitive. We must respond flexibly to changes in the business environment through constant optimization and productivity improvements, including digital transformation.

### Opportunities

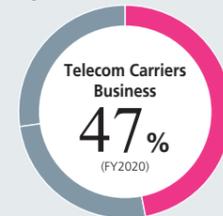
The full-scale deployment of 5G is expected to drive further increases in telecommunications network traffic. Forecasts indicate that this will elevate the importance not only of mobile communication networks but also of the fixed-line communication networks that form their backbones. This will open up opportunities for us to demonstrate our technological capabilities in areas such as new installation, maintenance, and renewal of telecommunications networks.

## Main businesses and their strengths

We provide integrated, high-quality services from planning and design to construction, operation, and maintenance for all communication facilities of telecommunications carriers throughout Japan. This is backed by a proven track record and best-in-class technical capabilities in the construction of telecommunications networks, which we have cultivated since our founding. Our advanced technical capabilities have garnered accolades both at home and abroad, including five gold medals in the Information Network Cabling category at the WorldSkills Competition.

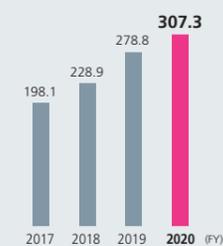


## Sales composition by business



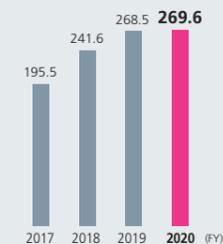
## Orders received

¥307.3 billion



## Net sales

¥269.6 billion



## Initiatives under the Medium-Term Management Plan (FY2021-FY2025)

# Becoming a partner that builds optimal communications environments for customers

### Our aims

<b>Construction of 5G infrastructure</b>	<ul style="list-style-type: none"> <li>Achieve efficient base station construction</li> <li>Build a multi-carrier system</li> </ul>
<b>Improve profitability and productivity</b>	<ul style="list-style-type: none"> <li>Implement strict standardization and commonization of operations</li> <li>Use multi-skilling to increase flexibility</li> </ul>

### Tactical approach

<b>Developing many skills</b>	<ul style="list-style-type: none"> <li>Mutual support between fixed and mobile phone teams</li> </ul>
<b>Digital transformation, offshoring</b>	<ul style="list-style-type: none"> <li>AI-based automation of photo inspection, etc.</li> <li>Cost reduction by using overseas locations</li> </ul>
<b>Integrating operations</b>	<ul style="list-style-type: none"> <li>Optimal location of construction offices, etc.</li> </ul>

## Review of previous medium-term plan

**Results:** In addition to increasing the scale of our NCC\* business through aggressive sales and construction activities, we achieved productivity improvements by strengthening collaboration with the three companies in western Japan that joined the Group during the medium-term management plan period (C-Cube, Seibu Electric Industry, and Nippon Dentsu), as well as through continuous improvement and streamlining of business processes.

\*New Common Carrier: A generic term for carriers that provide telecommunications services using their own equipment, having entered the market following the 1985 deregulation of telecommunications in Japan. Refers to telecommunications carriers other than NTT.

**Challenges:** Issues remain to be addressed to respond promptly to the rapidly expanding needs of each mobile carrier (NTT DOCOMO, KDDI, SoftBank, Rakuten). These include securing sufficient systems in the consultation, design, and construction processes, as well as standardizing and streamlining operations.

## Medium-Term Management Plan (FY2021-FY2025)

Going forward, rapid transformation is expected in a smart society where people live healthy and vibrant lives. National government, local governments, and companies will roll out various initiatives such as the digitalization of government services and medical services, and the localized use of 5G in factories, warehouses, and offices. Digital demand in the home, for activities such as using social media, is expected to rise. Such activity is expected to lead to further investment in base stations for 5G, as a key underlying infrastructure. However, it is assumed that base stations will become smaller as they increase in number.

To meet these market needs, we must improve our efficiency and productivity while continuing to ensure high quality in our construction. In addition, the development of advanced information and communication networks is creating new needs beyond new construction. As networks become more sophisticated, their maintenance is becoming

increasingly important.

We are therefore promoting the development of the kind of personnel who will enable us to implement many construction projects on schedule with limited staff. To manage the increasing volume of construction work and the differences between busy and quiet periods, we will eliminate the system of organizing a separate construction team for each carrier. We will instead build a system that enables engineers to handle construction work for all mobile carriers, while promoting multi-skilling, such as in the integration of access technology and mobile technology.

In addition, there will be a need to remove obsolete equipment to make effective use of limited installation space. By taking on all of those processes, we can minimize operational waste, promote further improvement in operating efficiency, and enhance our cost structure. We will also implement a variety of other measures, including: commonization of systems within the group; standardization of operations in each business process; flexible use of resources including those of subcontractors; optimal allocation of construction sites according to the annual construction schedule and progress; and integration of offices that had been fragmented across multiple locations within the Group.

In addition, we will also embrace new challenges such as digital transformation, including the automation of photo inspection using AI, and the offshoring of inspection operations using overseas locations. In the future, we will actively participate in the development of edge computing\*, which is expected to become a new business for each telecommunications carrier, and in new business opportunities such as the installation and renewal of storage batteries.

Through these efforts, we aim to make our construction more efficient and productive, toward our strategic aim of becoming a partner that builds optimal communications environments for customers.

\*A generic term for technologies that process data at the endpoints of a network through the distribution of processing devices (edge platforms) in close physical proximity to users and terminals. By shortening the distance on the network, it is possible to improve processing response times and conserve backbone bandwidth.

# Urban Infrastructure Business

We provide services related to telecommunications, electricity, civil engineering, and the environment, contributing to the realization of a society in which people can live comfortably.



## Market risks and opportunities

### Risks

This business handles a wide range of projects, from public infrastructure work such as tunnels, water supply and sewage systems, to electrical and communication equipment work for office buildings. Customer needs are also diverse. Ensuring high quality project management requires securing and training engineers in accordance with the content of the project and collaborating with the appropriate business partners.

### Opportunities

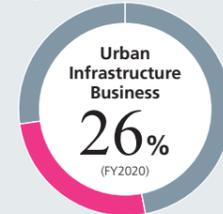
The use of renewable energy and the renovation and maintenance of aging public infrastructure are expected to accelerate, driven by growing interest in decarbonization combined with the increasing severity of natural disasters. We believe that the technology and experience we have cultivated in a variety of fields will give us a competitive edge in meeting these market needs.

## Main businesses and their strengths

We provide an integrated system from design and construction to maintenance, covering communication infrastructure including cable television and railroad communication facilities, electricity for office buildings and data centers as well as a variety of infrastructure works, including related facilities and urban civil engineering for pole-free facilities. Recently, we have been planning and proposing the provision of eco-technologies that have low environmental impact, such as solar power generation and biomass plants, while also offering a full range of services from construction to operation.

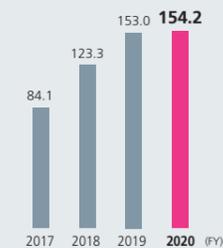


## Sales composition by business



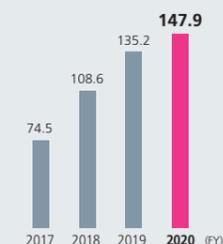
## Orders received

¥154.2 billion



## Net sales

¥147.9 billion



## Initiatives under the Medium-Term Management Plan (FY2021-FY2025)

### Providing engineering to enhance resilience

#### Our aims

<b>Developing new fields</b>	<ul style="list-style-type: none"> <li>Integrate communication, electrical, civil engineering, and plant technologies</li> <li>Pursue orders in multiple fields, such as entire buildings</li> </ul>
<b>Advancing digital transformation in construction</b>	<ul style="list-style-type: none"> <li>Pursue construction innovation through i-Construction</li> <li>Improve productivity through offshore use of design work, etc.</li> </ul>

#### Tactical approach

<b>Entering the environment and energy businesses</b>	<ul style="list-style-type: none"> <li>Tackle in-house power sales and offshore wind power business</li> </ul>
<b>Strengthening the infrastructure renovation business</b>	<ul style="list-style-type: none"> <li>Realize business for the renewal and maintenance of aging infrastructure</li> </ul>
<b>Actively utilizing BIM/CIM, AI, etc.</b>	<ul style="list-style-type: none"> <li>Pursue automation of design and cost estimation and workflow innovation</li> </ul>

### Review of previous medium-term plan

**Results:** As well as expanding business in areas such as data centers, urban redevelopment, and mega solar power generation, we actively took on the challenge of new areas (the earth shuttle method, biomass plants, railway-related equipment, tunnel lighting, etc.). In doing so, we have established a foothold for further growth in the future.

**Challenges:** As we expand new business, we face a shortage of highly skilled and experienced personnel. There is an urgent need to train and secure the necessary talent. In several large-scale projects, certain major construction work was unprofitable as issues in project management remained.

### Medium-Term Management Plan (FY2021-FY2025)

In the urban infrastructure business, we will develop new business areas in the following fields: transportation and mobility; environment and energy; urban/data space and offices; and infrastructure revitalization. We will do this by integrating our accumulated technological capabilities in the corresponding engineering fields of telecommunications, electricity, civil engineering, and the environment.

Among these, in the field of environment and energy in particular, going forward, the pursuit of decarbonization is expected to drive increased demand for renewable energy as well as accelerated development. Our group has been involved in the construction of many solar power generation facilities, 18 of which operate their own solar power generation equipment. We are planning to participate in further new businesses in this field. Specifically, we are considering projects related to the construction of offshore wind farms, which are expected to be commercialized in various parts of Japan in the future. Such projects would include the landing of submarine power cables or the laying of self-owned power lines on land. In addition, we will actively engage in the construction of biomass power plants and the installation of storage batteries and EV chargers.

In the fields of transportation and mobility, urban/data

space and offices, and infrastructure revitalization, we expect that not only the construction of new facilities, but also the revitalization of aging equipment will become a major theme in the field of public infrastructure. This applies to areas in which we are already engaged such as the renovation of communication equipment for highways and railroads, the installation of water supply and sewage systems, and the renovation of tunnel lighting.

We also aim to combine the diverse engineering capabilities of the Group to offer our customers a range of services for the entire building. We aim to take on responsibility for all of the equipment in a building, including communications, electricity, lighting, and air conditioning. In doing so, we will be able to maximize our construction efficiency, offering further added value through a one-stop service. We will consider and promote business development that leverages the unique and superior technological strengths of our Company.

The promotion of digital transformation in construction is essential for these business developments. We will actively introduce BIM/CIM (building information modeling/ construction information modeling) and AI, which are already seeing application in some parts of the construction industry. By automating design and cost estimation and by using offshore resources, we will continue to innovate the construction process and create new value.

Since our founding in the telecommunications carrier business, we have cultivated technological capabilities. In these strengths, there lies the potential for us to play an active role in various areas of society.

As we look ahead to 2025 and, beyond that, 2030, we aim to pursue various initiatives and solve social issues through our business—and to provide engineering that enhances the resilience of society.

# System Solutions Business

We support private companies and public organizations, offering ICT-based solutions to solve their problems.



## Market risks and opportunities

### Risks

This field is characterized by rapid business change and intense competition that leads to services being selected or eliminated. Maintaining or expanding our operations requires us to constantly create new business. In addition, to remain both competitive and profitable, we must continually review business processes and improve productivity and profitability.

### Opportunities

The coronavirus pandemic has accelerated transformation in society, from mindsets to a structural level, including reforms in the way we work. With the government's promotion of digitalization, services utilizing new technologies such as AI, robotics, AR/VR, etc. are being created one after another. As such, business opportunities will continue to open up, including the growth of edge computing and cloud businesses.

## Main businesses and their strengths

We provide a full range of ICT-based solutions for the construction, maintenance, and operation of various corporate systems, from communication network systems to core systems for the manufacturing industry, as well as educational and medical applications. We have a large contingent of internationally minded talent, enabling us to target opportunities in this field, which is expanding not only in Japan but also globally.

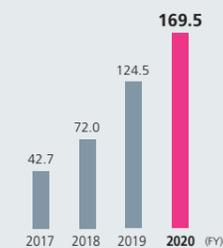


## Sales composition by business



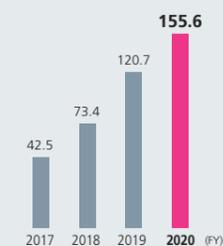
## Orders received

¥169.5 billion



## Net sales

¥155.6 billion



## Initiatives under the Medium-Term Management Plan (FY2021-FY2025)

### Evolving into a solution provider

#### Our aims

<b>Focusing on high value-added business</b>	<ul style="list-style-type: none"> <li>Move away from labor-intensive models</li> <li>Develop strategic applications (AI, robotics, drones, etc.)</li> </ul>
<b>Expanding recurring business</b>	<ul style="list-style-type: none"> <li>Co-create and collaborate with customers and partners</li> <li>Develop business in maintenance, operation and security</li> </ul>

#### Tactical approach

<b>Pursuing new technologies, advancing the DX of customers</b>	<ul style="list-style-type: none"> <li>Establish package integration business</li> <li>Discover "killer apps"</li> </ul>
<b>Cultivating XaaS engineers</b>	<ul style="list-style-type: none"> <li>Pursue systematization using cloud computing and improved ability to respond to diverse needs related to management</li> </ul>
<b>Offshoring, improving development processes</b>	<ul style="list-style-type: none"> <li>Reduce costs using overseas locations</li> <li>Improve productivity by analyzing our own development process</li> </ul>

### Review of previous medium-term plan

**Results:** In addition to expanding our business through M&A and alliances, we established a new consulting organization in Japan. This will enable us to provide a unified response to digitalization needs and to develop new businesses. Overseas, we have also built a base load for ICT business.

**Challenges:** Although the scale of the business in Japan expanded due to a focus on contract development, profit margins were below the industry average. Overseas, the impact of lockdowns due to the pandemic resulted in a delay in a planned improvement of earnings.

### Medium-Term Management Plan (FY2021-FY2025)

Technological innovations such as big data, AI, VR, IoT, and digital twins are prompting fundamental changes in every business. While some businesses will decline, we are approaching an era where new services can expand on a global scale in a short period of time. The promotion of digital transformation, which is also a key focus of the Japanese government, has the potential to bring about major changes in society as a whole. This includes business processes, organizations, cultures, and ways of working, as well as the products, services, and business models offered by governments and companies.

In our system solutions business, we aim to pivot away from the labor-intensive business centered on contract development and toward the future expansion of the digital solutions field. We will instead aim to acquire more "prime user" projects, pursuing service-based/high value-added business in which we provide services directly to end users. To this end, we will develop strategic applications that utilize the latest technologies such as AI, robotics, and drones. In addition, by expanding recurring business such as maintenance, operation, and security services, we will provide a full range of services from upstream consulting, hardware/software installation, to maintenance and

operation. This will allow us to build a continuous co-creation and collaborative relationship with our customers, while establishing a stable business foundation.

We will establish a package integration business that provides the right combination of the services of Group companies and collaborating partners to match customer needs. In addition to this, we must also actively work to discover world-class "killer" applications by always monitoring for and pursuing new technologies. To this end, we must secure and train skilled talent. We will place particular emphasis on training XaaS ("X" as a service) engineers to improve our ability to respond to diverse needs related to cloud-based systematization and management.

In our global business, which we have been focusing on for the past several years, we have been using our Singapore location to expand business mainly in the APAC region. This includes the reuse business of used PCs and smartphones, an environmentally friendly business, as well as new businesses such as cell phone base station infrastructure sharing and digital trade platforms—businesses that are difficult to implement in Japan. We have also been actively utilizing M&A to build out our foundation for business. We will continue to monitor the market environment in Japan for these services, seeking the right timing for a domestic launch. We will also make effective use of the overseas bases of our global business in terms of training young employees and executive candidates, as well as reducing costs through offshore development.

# Environmental management

## Basic approach

Living in harmony with the environment is a social responsibility for companies and a precondition for achieving the SDGs.

The Group resolves social issues through our telecommunications carrier, urban infrastructure, and system solutions businesses. We also maintain an awareness of the need to maintain harmony with the environment, and we strive to reduce the environmental impact of our business activities.

## Utilization of the environmental management system

In promoting the environmental management system (ISO14001), of which certification has been continuously obtained since May 2000, the Group works to reduce the environmental impact on an ongoing basis through companywide environment preservation activities according to the PDCA cycle. The Company identifies predictable environmental risks, which are determined depending on onsite working environments, the location conditions of the building and other factors, sets up specific environment-related targets and extensively applies them to all the departments at the Head Office and branches.

## Monitoring the environmental impact of business activities

At the Kyowa Exeo Group, we strive to minimize the environmental impact of our business activities by monitoring and curtailing the amounts of resources and

energy used.

The material balance for fiscal 2020 was as shown in the chart below.

## Fighting global warming

The Group has been working continuously to practice environmental management by reducing greenhouse gas emissions. In the 2030 Vision that we formulated this year, we declared our commitment to ESG management. In our medium-term management plan, we have set goals for fiscal 2025 of having all our electricity consumption powered by renewable energy and achieving a 10% reduction in our CO<sub>2</sub> emissions compared to fiscal 2020.

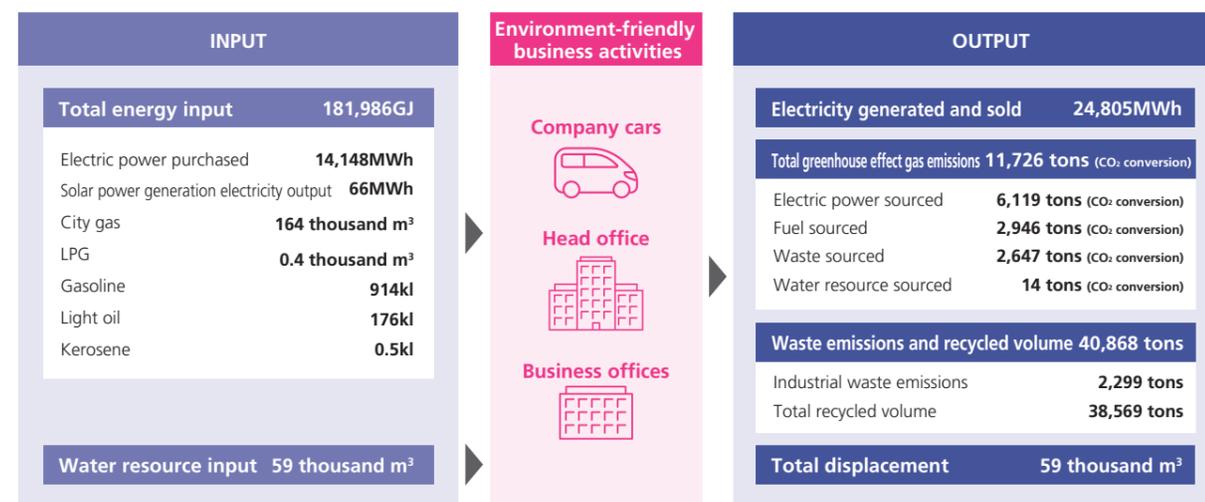
In addition, we will make further efforts to conserve energy by replacing our fleet of vehicles with low-emission vehicles and installing solar power generation equipment in the construction of our company building.



## Environmental compliance

The Kyowa Exeo Group is committed to complying with all environmental laws and regulations. Since introducing our

## Material balance (FY2020, Kyowa Exeo Corporation)

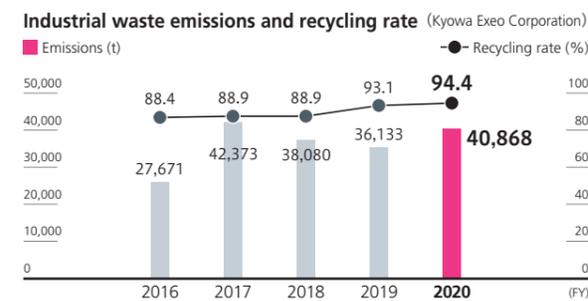


environmental management system in 2000, we have had no violations of laws or regulations relating to waste, air pollution, wastewater and water intake, soil contamination, or chemical substance management.

## Reducing waste and promoting recycling

We are working to reduce and properly dispose of industrial waste generated during construction, as well as general waste generated from offices and other facilities. We are also working to promote recycling.

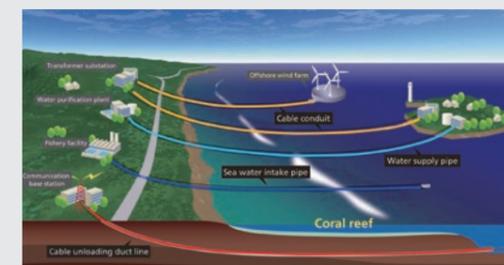
We have thorough sorting and management processes in place to properly dispose of waste materials such as asphalt, concrete rubble, and electric wire scraps, so that they can be reused and recycled. In addition, ongoing initiatives include the enhanced use of proper amounts for work materials, requests for collection of packaging materials to suppliers,



## Minimizing impact to marine and coastal ecosystems

Our earth shuttle method of horizontal directional drilling enables the laying of submarine pipes of a required diameter to a required location while protecting the seabed. It is used in applications such as communication and electric power landing pipes, water supply pipes, seawater intake pipes, and high-voltage cables for offshore wind farms. It is ideal for delicate natural habitats such as fishing grounds and coral reef nature reserves, as well as sites where waves could damage pipes and cables.

Offshore wind power generation is seen as a promising source of renewable energy in the future. We consider this method to be a key initiative to addressing the associated problem of the impact of submarine cables on biodiversity.



How our earth shuttle method of horizontal directional drilling works

and guidance on the necessary steps to workers for recycling via onsite patrols.

## Assessment of environmental impact

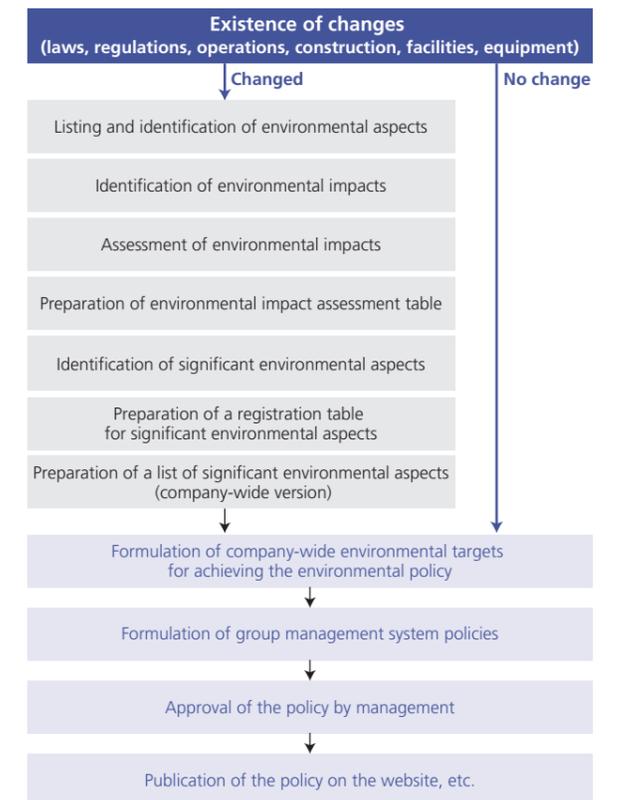
We classify the environmental impact of our business activities into six categories, as shown in the table below. We identify them using the assessment procedure shown in the diagram below.

Aspects that have a significant positive impact on the environment are also assessed using the same procedure. The findings of this assessment are then reflected into our business activities.

## Types of environmental impact

<b>Depletion of natural resources</b>	Consumption of oil, gas, water, electricity, and various processing materials
<b>Degradation of local environment</b>	Vibration, noise, odors, global warming, land subsidence, etc.
<b>Soil pollution</b>	Underground leaching of chemicals, sewage, sludge, waste, etc.
<b>Water pollution</b>	Drainage or runoff of chemicals, sewage, sludge, waste, etc.
<b>Air pollution</b>	Release of suspended solids, dust, and other emissions into the atmosphere
<b>Increased waste</b>	Industrial waste, general waste

## Environmental impact assessment procedure



## Environmental business

The Group is committed to working toward a recycling-oriented society. We do this through our activities in the design, construction, and maintenance of solar power generation facilities and biomass boilers for renewable energy facilities, as well as the construction and operation of water treatment facilities for domestic and industrial wastewater.

### Photovoltaic plants

Kyowa Exeo Group provides EPC (engineering, procurement, and construction) services for solar power plants, and also proposes and supplies enterprise solar power generating facilities for internal use in companies.

Specific services include support for the introduction of large-scale solar power generation (mega-solar) utilizing the feed-in tariff scheme, and support for the rooftop or proximity installation of in-house solar power generating equipment for industrial facilities and other buildings with electric power supply needs. We offer comprehensive solutions that incorporate storage battery utilization and other elements.

### Solar power generation in FY2020 (GWh)

Location	Power generation	Location	Power generation
Ishioka Kitafuchu	0.93	Hosaka	1.63
Shinpu	1.72	Chiyoda Lake	1.53
Kose	1.28	Tokoji	0.85
Minamiboso	3.05	Shonan Technology Center	0.09
Ishido	1.37	Asaohara	1.79
Fuchu Technical Center	0.1	Hyogo General Technology Center	0.14
Ishioka General Technology Center	1.32	Kagawa General Technology Center	0.11
Ubaishi	1.43	Exeo Hiraos Solar Farm	1.58
Togane Solar Farm	3.04	Matsue Solar Farm	2.76

### Biomass boilers

We provide construction and maintenance services for various biomass boilers that play a part in recycling systems.

Specifically, we take materials such as woody biomass that have a high moisture content and have been traditionally regarded as waste products and enable their utilization as biomass resources. These resources are used to produce steam, supply heated water, perform drying, supply heated water for air conditioning, and to operate high-efficiency power generation systems.

### List of biomass boilers

Customer name	Rated heat output	Units	Heat output type	Fuel	Power generation
Private company (Hokkaido)	4,000kW	1	Saturated steam (1 MPa)	Purchased miscellaneous woody biomass	—
Hachimantai City, (Iwate)	400kW	1	Warm water	Purchased bark & cutting chips	—
Kaneyama Town, (Yamagata)	400kW	1	Warm water	Mainly purchased cutting chips	—
Private company (Tochigi)	1,200kW	1	Warm water	100% cedar bark produced in-house	—
Private company (Tochigi)	4,000kW	1	Saturated steam (2 MPa)	Use of chips produced in-house	—
Private company (Fukushima)	4,000kW	1	Heat transfer oil (for ORC) 700kW combined power generation	Bark, etc.	708kW
Private company (Shiga)	2,500kW	2	Saturated steam (1 MPa)	Use of waste generated in-house	620kW
Private company (Ibaraki)	3,500kW	2	Saturated steam (1 MPa)	Use of biomass generated in-house	860kW

### Our sustainable Minami Kanto branch office, was certified as a net zero energy building (ZEB\*) project

At our Minami Kanto branch office, we installed environmentally friendly equipment based on the concept of a sustainable office. Located in Yokohama City, Kanagawa Prefecture, the office was completed in 2021.

The new building will reduce energy consumption by 51% compared to a standard building of the same size. This is achieved through a combination of technologies that improve the building's environmental performance. The windows reduce heat radiation from the sun, while the building's outer surface enables high insulation performance. The air conditioning is controlled using sensors to detect people movement, thereby improving the efficiency of equipment that uses a large amount of electricity. LED lighting is used throughout the interior. An energy management system has also been put in place to visualize, analyze, and reduce electricity consumption. In addition, the building is equipped with a 50-kW solar power generation system, giving it a real energy reduction of 75%. This meets the criteria for conversion to ZEB (Nearly ZEB).

This project has been certified as a net zero energy building (ZEB) introduction project under the Kanagawa Smart Energy Plan being implemented by Kanagawa Prefecture.

\*ZEB: A building in which the amount of energy consumed by the building is substantially reduced through energy conservation using high-efficiency equipment systems, and in which the energy balance is aimed at "zero" through power generation such as solar power generation.



## Human Resources

Unless specifically stated otherwise, the data and initiatives included in this section are of Kyowa Exeo Corporation.

### Respect for human rights

In promoting corporate activities, the Kyowa Exeo Group places great importance on respect for human rights and conducts training to raise and improve human rights awareness in order to provide a workplace environment in which each and every employee can work with vitality. In addition, through training and other activities to promote compliance, we show that we do not tolerate any kind of discriminatory treatment on gender, beliefs, nationality, status of disability, sexual orientation, gender identity or other basic human rights, and we strongly advocate for respecting the dignity and individuality of every person.

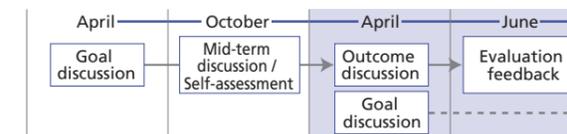


### Fair evaluations and treatment

As a system to reward employees for their efforts by fairly evaluating outcomes, employees hold bi-annual discussions with their superiors to discuss their progress and achievement of self-established goals. We are increasing the convincingness of these evaluations through the provision of feedback on the results of the evaluations to employees.

In addition, all employees are given an opportunity to talk with their supervisors once a year about their job satisfaction, career plans and other matters.

### Discussion schedule



### Implementation rate of discussions

FY	Implementation rate
FY2018	100.0%
FY2019	100.0%
FY2020	100.0%

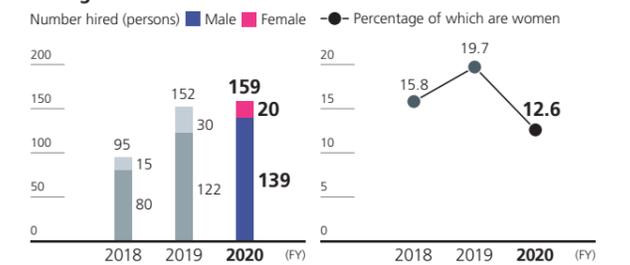
### Human resource development

#### Basic approach and promotion system

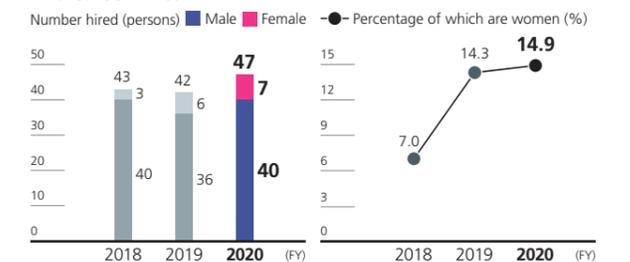
Based on the policy of regarding employees as the Group's primary assets, we provide a variety of training programs such as new employee training, position-based training, technical training, sales training, and training for selected employees. Moreover, we also provide support for self-development, such as incentive programs for acquiring qualifications and correspondence courses, and are committed to providing growth opportunities and encouraging employees to take advantage of them. We have also shifted to online training as we adapt our training approach to the "new normal" that has emerged from the pandemic.

With the rapid technological innovation of today, new services can emerge at a global level in a short span of time. This gives rise to an urgent need to hire and train personnel who can immediately and effectively respond to such trends. Recognizing this, we established a Human Resources Development Department on July 1, 2021, with the aim of strengthening our ability to adapt our human resources development approach to changes in the business environment. The Human Resources Development Department promotes diversity and inclusion measures so that all employees can play an active role. It also conducts recruitment, training, and personal development based on the CDP.

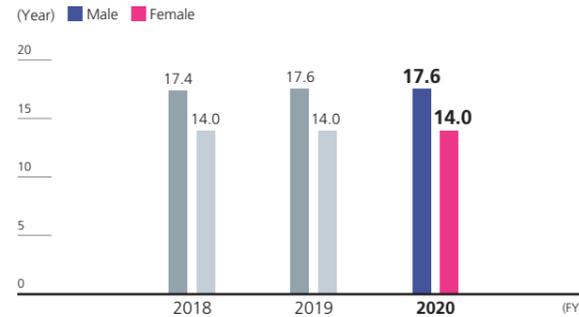
### New graduate hires



### Mid-career hires



**Average years of continuous service**



**New employee training**

The first year of employment is designated as a training period in which we offer a multifaceted curriculum that includes induction training, basic Exeo Group training, job-specific technical training, and training for acquiring IT qualifications, so that employees can strive to acquire common sense as members of society, as well as a wide range of knowledge and basic technical skills as a member of the company. In addition, each new employee is assigned a tutor, who promotes growth and motivation through training and follow-ups, as well as advice on mental health and lifestyle issues. We also provide step-up training in the second year to review the training and secure its results.

**Technical training**

The Company's technical capabilities are the very essence

of our corporate brand. For this reason, we conduct technical training across the country, including at Group companies, and focus on developing IT personnel and engineers with advanced and up-to-date technical skills. Technical training includes both in-house and external lectures. At in-house lectures, we provide safety and quality training, professional engineer training, and training sessions on actual equipment in a dedicated IT training room. Meanwhile, at external lectures, employees strive to acquire advanced, specialized skills in various engineering disciplines and the latest technological skills in the IT field, such as network servers and programming.

**Overseas training**

We have been continuously sending employees to the Philippines since 2015 with a view to developing our global business for new business expansion. In addition to a training program of approximately a year designed to strengthen communication skills with local partner companies and local employees and to learn how to do business overseas, we also offer other programs including short-term English conversation training in the Philippines to acquire business conversation skills, with a focus on developing global human resources. By gaining knowledge based on these experiences, and the connection, and know-how acquired through this multi-layered training, we aim to contribute to the development of ICT in Asia. (In fiscal 2020, overseas training was cancelled due to the coronavirus pandemic.)

**Initiatives at Group companies**

We want all employees at our 136 Group companies (103 consolidated subsidiaries, 16 non-consolidated subsidiaries, and 17 affiliates), including those overseas, to be able to work with a sense of fulfillment. Our top priority is to build a new Team EXEO to enable this. We see this as an essential step toward developing our human resources for the future, reforming our work styles and increasing diversity.

Based on the Group's common operational measures, in addition to playing the role of a "go-between" for spreading the excellent initiatives of our Group companies, we will further promote the establishment of a strong Team EXEO that takes on the challenge of new businesses and responds to changes.

**Work style reform**

**Basic approach**

With the aim of proper management of working hours and making improvements to long working hours, labor representatives and top management have issued a joint declaration and are working on reforms to comply with labor related laws and regulations, promote flexible work styles, improve operational efficiency across the organization, and maintain and promote physical and mental health by raising employee awareness and implementing specific measures. We are also working to realize diverse and flexible work styles through means such as the establishment of a regional key position system (a system for regionally assigned employees) and a teleworking system.

Furthermore, we are developing and promoting novel ways of working that incorporate the new lifestyles and new working styles recommended by the Japanese government. We are taking the following measures to promote new ways of working: (1) review of operations (business inventory, business evaluation, etc.), (2) improvement of the environment (PC, work environment, etc.), (3) consideration for health and wellbeing (development of a system for supporting mental health, etc.), (4) enhancement of systems (review

of commuting styles, establishment of an expenses policy for working from home, etc.). Through these efforts, we are striving to create a work environment where everyone can work with peace of mind and enthusiasm.

**Boosting productivity through digital transformation**

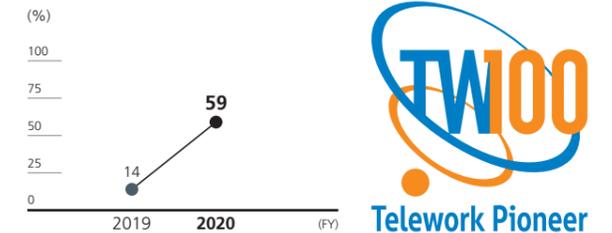
Utilizing an IT infrastructure common across the Kyowa Exeo Group that includes teleconferencing and MS Teams, we are working to improve sales capabilities, business efficiency, quality, safety, and comfort while aiming to boost productivity in a noticeable way, not only for employees but for our partners as well.

\*Microsoft, Office 365, and Microsoft Teams are registered trademarks or trademarks of Microsoft Corporation in the U.S. and other countries.

**Promoting telework**

In July 2018, we made significant revisions to our telework regulations, allowing employees to make use of work from home, work at satellite offices and mobile work in more flexible ways. During the pandemic, we eliminated our restrictions on the number of times telecommuting can be used, as well as restrictions on the scope of employees eligible to use the system. This led to a substantial increase in the number of our employees who used telecommuting. We also started actively taking part in designated telework days since 2018, and have worked to promote this idea among employees. In recognition of these efforts, in November 2018 the company was selected as one of the 2018 Top Hundred Telework Pioneers by the Ministry of Internal Affairs and Communications.

**Telework utilization rate**



**Training system**



**Employees win gold medals at the National Skills Competition Japan**

Toru Ebihara, an employee of Kyowa Exeo representing Saitama Prefecture, won a gold medal at the 58th National Skills Competition Japan held in Aichi Prefecture. The competition was sponsored by the Ministry of Health, Labour and Welfare and the Japan Vocational Ability Development Association, in cooperation with Aichi Prefecture. Mr. Ebihara's gold medal, in the information network cabling category, marked his second consecutive victory, following a gold medal he won in the previous competition. Mr. Ebihara has been selected to participate in the WorldSkills Competition to be held in Shanghai in 2022.

Ashu Toba won the bronze medal, while Shogo Mizutani and Raira Chiba each won Medallions for Excellence.



Toru Ebihara, who won a gold medal at the national competition.

Diversity & Inclusion

Supporting women's career advancement

Kyowa Exeo has formulated an action plan in accordance with the Act on the Promotion of Female Participation and Career Advancement in the Workplace, and publishes related information including numerical targets. We implement various measures to create career opportunities for women and to support them in their career development. These include pursuing our targets for hiring women as well as creating plans to develop female executives and managers.

As a result of these efforts, the Ministry of Health, Labor and Welfare has recognized the Kyowa Exeo Group with its Eruboshi certification, which is awarded to companies for outstanding efforts to support the career development of women.

We have also received recognition from the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for two consecutive years as a Nadeshiko Brand in 2019 and as a Semi-Nadeshiko Brand in 2020, certifications that are awarded to listed companies in recognition of their efforts to support the career advancement of women.



Note: As of the end of each fiscal year

General employer action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace

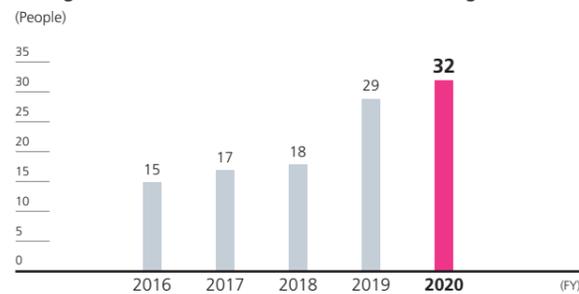
Plan period: April 1, 2016 - March 31, 2021 (5 years)

	Goal	Result
Number of women in management positions	Double the current number	Achieved <b>3.3 times</b> (6 to 20)
Number of female workers	25% increase from current number	Achieved <b>30.6% increase</b> (333 to 435)

Plan period: April 1, 2021 - March 31, 2026 (5 years)

	Goal
Number of women in management positions	<b>1.5 times the current number</b> Current: 20 → Target: 30
Number of female employees	<b>25% increase from current number</b> Current: 307 → Target: 384
Percentage of male employees taking childcare leave	<b>Increase to 20%</b> Current: 7.3%

Change in the number of female assistant managers



Note: As of the end of each fiscal year

Recognized as a 3.5 Star Company in the Nikkei Smart Work Management Survey

Kyowa Exeo received a 3.5 star evaluation in the 4th Nikkei Smart Work Management Survey, which recognizes leading companies for measures to improve productivity through work style reforms.

Conducted by Nikkei Inc. since 2017, the survey defines "smart work management" as efforts to maximize organizational performance through three elements: realization of diverse and flexible work styles, systems for creating new businesses, and capabilities in developing markets. Corporate governance and other foundations for management are also included in the evaluation, which has five levels.

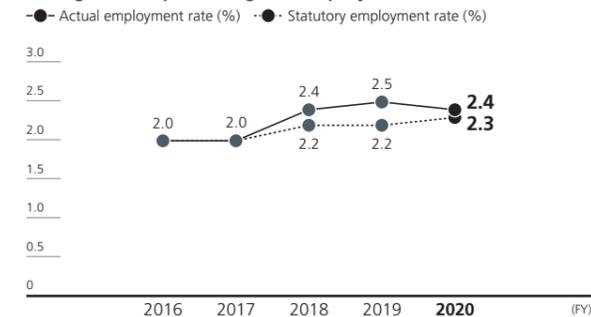


Promoting the employment of people with disabilities

To ensure that all people can demonstrate their capabilities and aptitude to the fullest extent and lead active, fulfilling lives regardless of whether or not they have disabilities, Kyowa Exeo actively pursues the employment of people with disabilities. All employees of the Diversity Promotion Office have completed disabled person occupational and lifestyle counsellor certification courses, carefully gather information about desired workplace, occupation, skills, and disability considerations when employees are hired, and strive to match employees with the right organization.

Even after an employee has joined the company we regularly follow up on the individual and their assigned department and make every effort to ensure they are able to succeed in a reassuring environment. Additionally, we work to create new occupational fields so that persons with all kinds of disabilities can flourish, and actively work to hire people with specialist skills.

Change in the percentage of employees with disabilities



Rehiring of retirees

In order to make use of the skills and experience gained over the years by employees who are motivated to work after retirement, we have a system to rehire retirement-age employees, a registered employee system to hire retired employees on a temporary basis, and a system to rehire former employees who have left the company due to family circumstances such as family relocation, marriage, childbirth, and nursing care, and these systems provide opportunities for diverse work styles.

These efforts are helping to secure our technological capabilities for the future and ensure that we are able to pass on our skills.

Number of retirees who have been rehired

	FY2018	FY2019	FY2020
Number of rehired employees	256	218	249

Life plan seminars

The Kyowa Exeo Group hold seminars throughout Japan for employees at the ages of 53 and 54 to help them design

their post-retirement life with a deeper understanding and awareness so that they can lead materially, physically, and mentally healthy lifestyles.

We also hold seminars for employees at the age of 58 and 59 to help them deepen their understanding of postretirement social security and pension fund systems.

Number of seminar attendees (FY2020)

53-54 years old	374
58-59 years old	155

Hiring foreign nationals

In order to promote global business, especially in the Asia region, and to internationalize and invigorate the company, we are actively hiring foreign students who are expected to be active both in Japan and abroad.

Implementation of diversity promotion training

Training is conducted starting from upper levels of the company to foster an understanding of the importance of diversity promotion as a management strategy and to recognize issues the company faces in its promotion. In training aimed at executives and managers, attendees learn about management techniques for diverse human resources and approaches for supporting career development. This knowledge is then put into practice in the workplace.

Diversity promotion training (FY2017 - FY2020)

Content of training	Number of sessions
Diversity promotion training for management level	2 sessions
Diversity management training for managers	31 sessions
Diversity management training for newly appointed managers	2 sessions
Training for female leaders	2 sessions
Career design training for women	6 sessions
Diversity training for new recruits	4 sessions
LGBT training	2 sessions

Moving forward, we will expand the scope to include a wider range of employees and conduct training that fosters a culture that promotes the mutual acceptance and utilization of a diverse range of values.

In addition, as a result of these efforts, our company has received bronze certification in the PRIDE Index 2020.

Established by the organization "work with Pride," the index evaluates workplace initiatives related to LGBTQ and other sexual minorities.



Work-life balance

Supporting the balance between work and home

To ensure that employees can achieve a balance between work and child-rearing or work and family care, regardless of gender and continue to work and achieve success with peace of mind for as long as possible, we have established balance support schemes that go beyond statutory requirements and periodically hold briefing sessions for employees. Kyowa Exeo has formulated an action plan pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children and has published targets and other relevant information. We actively work to enhance systems, hold briefings to meet these targets, and have introduced company-led childcare facilities.

We are committed to developing an environment that makes it easy for employees to strike a balance between their jobs and childcare responsibilities,



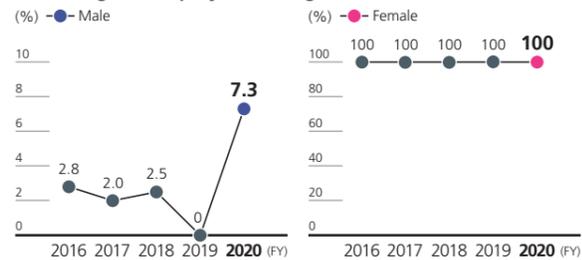
General Employer Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children

Plan period: April 1, 2017 to March 31, 2022 (5 years)

Target
Effectively disseminate information concerning internal schemes and procedures related to childcare
Maintain childcare leave usage rate of at least 90% among female employees

regardless of gender. In recognition of these efforts, in 2015 we earned the Kurumin Mark, an accreditation from the Ministry of Health, Labour and Welfare recognizing companies providing support for childcare.

Percentage of employees taking childcare leave



Data on childcare leave (April 1, 2020 to March 31, 2021)

	Male	Female
Total number of employees eligible for childcare leave	97	11
Total number of employees who have taken childcare leave	6	11
Total number of employees who have returned to work after childcare leave	4	9
Return to work rate of employees after childcare leave	100%	100%
Total number of employees enrolled at the end of 12 months after returning to work*	0/0	7/8
Retention rate of employees after childcare leave	—	87.5%
Average number of days of childcare leave taken	81.9	283.5

\*Total includes employees who returned to work between April 1, 2019, and March 31, 2020.

List of childcare support schemes

○: In line with statutory requirements    ⊙: Beyond statutory requirements

Types of Leave	Statutory requirements	Eligible employees	Details
Healthcare system during pregnancy and after childbirth	○	female	<ul style="list-style-type: none"> <li>Medical checkups, etc. (hospital visits during pregnancy)</li> <li>Hospital visits following childbirth, etc.</li> <li>Symptoms, etc. during pregnancy and within one year of childbirth</li> <li>Rest periods during pregnancy</li> <li>Relaxation of commuting requirements</li> </ul>
Special childbirth leave	⊙	female male	Female employees: 8 weeks before childbirth and 8 weeks after childbirth Male employees: 5 days
Childcare leave system	○	female male	Up to the day before a child's first birthday Note 1 For Mom & Dad Childcare Leave Plus, up to one year during the period until the child reaches one year and two months of age Note 2 When circumstances prescribed separately apply, until the child reaches one year and six months of age (up to the day the child reaches two years of age at the latest) In the case of paternal leave, an employee who has taken childcare leave within eight weeks of the birth of his child is in principle eligible to take one additional period of childcare leave
Special childcare leave	⊙	female	Two 30-minute sessions per day for a female employee raising an infant less than one year of age (one-hour sessions for twins)
Special nursing leave	⊙	female male	Up to five days per year (or up to ten days for two or more children) up to a cumulative total of 35 days (or up to 70 days for two or more children) can be taken until the child (ren) reach the third year of elementary school. Can be taken in half-day or hourly increments (including as intervals between working hours)
Shortened working hours for childcare scheme, etc.	⊙	female male	<ul style="list-style-type: none"> <li>Modified start times for employees raising children</li> <li>Exemption from late night work for employees raising children</li> <li>Limitations on overtime work for employees raising children</li> <li>Exemption from non-scheduled work for employees raising children</li> </ul> (Note) Available until children reach the third year of elementary school
Support allowance for early return after childcare leave	⊙	female	A monthly allowance is paid to female employees (company employees) who have made an early return to work within one year and three months from the month following their return to work until the month in which their child has reached two years of age
Support for employees returning from childcare leave	⊙	female male	Interviews: From one month before taking leave to one month after returning to work Mobile PC loan: From one week before taking leave to one month after returning to work
Company-led childcare center	⊙	female male	Partnerships with company-led childcare centers across Japan

Maintaining good labor-management relations

Mutual trust between labor and management is fundamental to the Kyowa Exeo Group's business. In the view of pursuing the company's growth and maintaining and improving employees work conditions, we seek to build stable labor-management relations through regular discussions between labor and management. We hold regular labor-management meetings to exchange opinions between labor and management on the business plan and other important issues as well as meetings of a committee for improved work hours and conditions to execute proactive business operations and achieve healthy growth of the company.

Health and productivity management

Reducing long working hours

As part of our initiatives to achieve a healthy work-life balance, we seek to develop a comfortable work environment for employees, including by setting the annual targets for use of paid leaves, promoting consecutive leaves by combining annual paid leaves with long holidays, summer holidays, year-end/new-year holidays, etc., and designating a no-overtime day in each week. Also, we proactively seek to reduce overtime work.

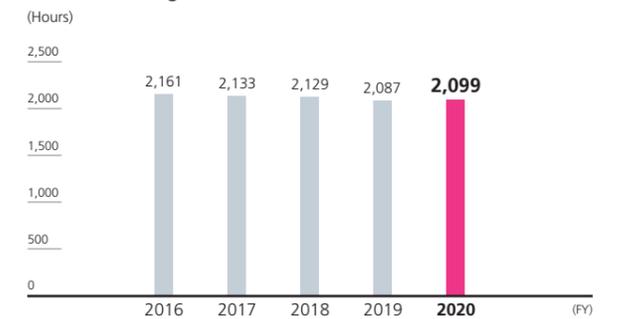
Helping employees maintain and improve physical and mental health

In cooperation with Kyowa Exeo's health insurance association, we seek to help our employees and their family members manage and improve their health by conducting regular health checkups and comprehensive medical examinations

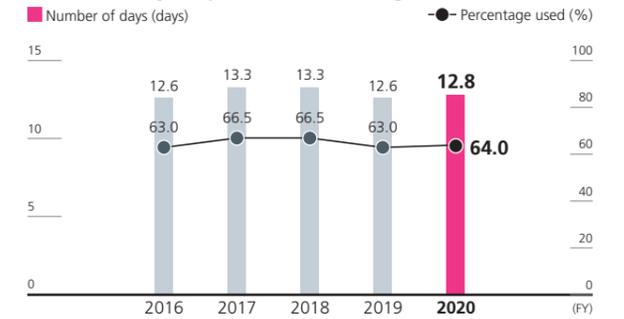
of our employees and campaigns to promote walking among employees and their family members.

In regard to mental health, we have a stress check program in place for employees self-care. In addition, our corporate doctors provide training for line care based on results of in-house diagnosis. Furthermore, for employees with excessive overtime work hours, our in-house doctors and public health nurses meet each such employee seven times a month to provide physical and mental care.

Annual working hours



Number of days of paid leave/Percentage used



Systems to support a diverse range of human resources

Main systems	Details
Paid leave	Leave can be taken in daily, half-daily, or hourly increments
Different start and finish time system	System to change work allocation, monthly flexible working hours system, modified rest period system, modified weekly days off system
Flexible working hours system	Within the scope of total scheduled working hours, working hours that exceed the scheduled working hours in a single day can be set
Telework system	Work from home, work from satellite offices, and mobile work
Area career path system	Systems limited to regional employees (no out-of-area transfers)
Senior employment system	<ul style="list-style-type: none"> <li>System for reemployment following mandatory retirement (until the end of the month in which an employee reaches 65 years of age)</li> <li>After 65 years of age, employees may be hired as contract employees</li> <li>A former employees reemployment system to hire former employees who have resigned due to personal reasons such as relocation of a family member due to job transfer, marriage, child-birth, and nursing care</li> </ul>
Maiden name usage system	With the exception of procedures requiring an employee to use their legal name, employees may use their maiden internally
Housekeeping service	Housekeeping services are available with employee discounts

# Occupational safety and health

## Occupational safety and health management

### Initiatives to promote a safe and quality-oriented culture

Ensuring safety and quality in the construction of information and communications facilities — the Group’s core competence — is of the utmost importance. Accordingly, the Group has been promoting initiatives for safety in line with the management structure shown in the table below, working to achieve goals such as zero deaths and serious accidents, and zero injuries to third parties.

We also strive to ensure each and every employee fully understands this importance, and that this becomes a natural part of their actions, through a five-phase medium-term plan starting with the creation of a safe and quality-oriented culture and ending last fiscal year with a return to the basics of this safe and quality-oriented culture.

Our five-year slogan from fiscal 2021 is “evolve our safe and quality-oriented culture,” so that we can further improve (enhance/develop) the safe and quality-oriented culture that we have been promoting. To do this, we will make further efforts to not only eradicate accidents, but also improve quality and provide added value by actively learning good practices that utilize the ICT of the world and integrating them with internal rules (a best mix) based on the high levels of accomplishment involving construction and maintenance that we have cultivated in our carrier-related and other businesses. We will also follow a three-pillar motto that involves working for the future, working for others, and prioritizing trust with clients.

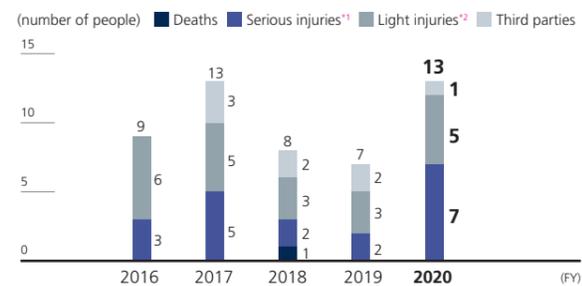
### Occupational safety and health management structure

Managerial post	Applicable job title	Role
Group representative	President	<ul style="list-style-type: none"> <li>Approve the Group’s occupational safety and health management policies and goals</li> <li>Give instructions for improving results of implemented priority measures</li> </ul>
General manager of occupational safety and health management	General Manager of Safety and Quality Management Headquarters	<ul style="list-style-type: none"> <li>Supervise safety and health management of the entire company</li> <li>Formulate occupational safety and health management policies, goals, and priority measures related to the Group’s occupational safety</li> <li>Roll out priority measures for the Company’s headquarters/branches and major subsidiaries (hereinafter referred to as “each organization”), and report the results to representatives of the Group</li> <li>Stay up to date with laws and regulations related to safety and health, the construction industry, and accidents</li> </ul>
General manager of health supervision	General Manager of Human Resources Department	<ul style="list-style-type: none"> <li>Supervise health management and operation</li> <li>Formulate occupational safety and health management policies, goals, and priority measures for the Group’s health</li> <li>Roll out priority measures for each organization and report the results to representatives of the Group</li> <li>Stay up to date with laws and regulations related to health</li> </ul>
Supervisor of occupational safety and health	Head of each organization	<ul style="list-style-type: none"> <li>Implement priority measures and report the results</li> <li>Formulate and implement internal measures</li> <li>Stay up to date with regulations of the local government having jurisdiction over occupational safety and health</li> </ul>
Manager of occupational safety and health	Safety and quality control department manager at each organization General Manager of General Affairs	<ul style="list-style-type: none"> <li>Manage occupational safety and health management tasks carried out by each organization</li> <li>Identify hazards in buildings, equipment, and work areas and implement preventive measures</li> <li>Improve work conditions and health at facilities</li> </ul>
Manager of internal audits	Safety Center Director	<ul style="list-style-type: none"> <li>Implement management inspections/on-site inspections and report the results to representatives of the Group</li> </ul>

### Financial losses from legal proceedings

There were no financial losses in fiscal 2020 resulting from accidents relating to deficiencies or safety, or legal proceedings relating to allegations.

### Occurrence of occupational accidents

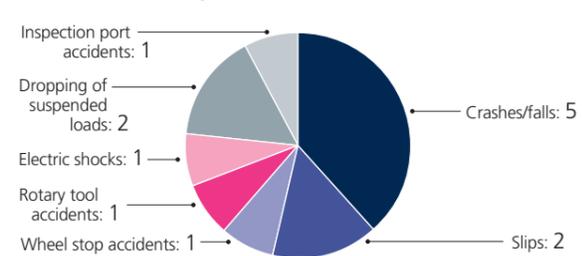


Scope of data: Kyowa Exeo and its five major consolidated subsidiaries (C-Cube, Seibu Electric Industry, Nippon Dentsu, Exeo Tech, and Daiwa Densetsu)

\*1 Hospitalized for two weeks or more and 30 or more days of temporary absence

\*\*2 Lost time the following days after the incident

### Breakdown of occupational accidents (13 in total)



## History of our safety and quality-oriented culture

### 1 Human error countermeasures (Aruaru-kun)

In 2003, we introduced an information-gathering system called “Aruaru-kun” with the aim of predicting and taking countermeasures for disasters that may occur in the future, as well as raising safety awareness among front-line workers, by collecting near-miss experiences and analyzing them to obtain further universalized hazard information. Workers share information about their own experiences by reporting near-miss incidents during work to all employees, reminding each other to prevent the same human errors from occurring.

This fiscal year, we also plan to add a function that enables the sending of warning information tailored to specific work processes, environments, regional characteristics, etc. to construction managers and workers from the database of near-miss experiences stored up to date.

### 2 Introduction of the ExeoSolution Proposal (ESP) System

We introduced the Exeo Solution Proposal (ESP) system which allows us to actively discover proposals that can change perspectives and ideas regardless of employees’ current approach to work or the tasks they handle. Over 10,000 proposals regarding improvements, efficiency, safety, and quality have been submitted annually.

In addition, we widely and internally publicize excellent proposals out of the ESP proposals, which are internal improvement proposal activities, and the VE proposals, which are customer improvement proposal activities. While sharing such proposals within the Company, we hold an annual ESP/VE proposal presentation meeting to further invigorate our improvement proposal activities.

### 3 Ironclad Safety Rules

In 2008, in order to eliminate accidents such as personal and equipment accidents, the entire telecommunications construction industry formulated the “Ironclad Safety Rules” mainly based on lessons learned from past incidents. It is a

collection of work safety expertise that was compiled with the idea in mind that “everyone must comply without exception.”

The cardinal rules were revised in fiscal 2020, and in January 2022, the use of fall-arrest systems (full harness) for high-place work will be mandatory and changes in construction methods and safety measures will be incorporated so that the rules can be more useful in providing worksite safety guidance.

### 4 The “Stop & Look” campaign for stopping at the first sign of danger

An accident in which a worker was injured when he slipped and fell off a four-meter-high wet roof while working led to a proposal for a system of “stopping at the first sign of danger” during construction at customer premises as an “Ironclad Safety Rule,” which was implemented in 2009 as a joint effort with our customers and the telecommunications construction industry. At present, we are implementing the “Kicchiri KY / Big Relief” campaign to ensure safety by implementing hazard prediction (kiken yochi (KY) in Japanese) activities at each work site in advance, and the “Stop & Look” campaign to stop in between jobs and resolve any questions before proceeding.

### 5 From Post-Measures to Pre-Measures

In order to prevent accidents and improve the safety and quality of construction work, in 2012, we introduced an exit rule that requires a work team to stop work if a safety deficiency is identified during construction. In 2016, placing further emphasis on educating employees to stop work and prevent the recurrence of any identified safety deficiencies, a curriculum was formulated and revised as the safety retraining rules. These initiatives have increased the alertness of management and construction workers, and are steadily proving effective in preventing accidents from occurring.



# Board of Directors

## Directors



**Tetsuya Funabashi**  
President and CEO

Number of the Company's shares held : 16,900  
Board of Directors meeting attendance in FY 2020 : 15/15 times

- Jun. 2010 Senior Vice President, Head of Customer Services, NTT communications Corporation
- Jun. 2014 Senior Executive Vice President, NTT Communications Corporation
- Aug. 2016 Senior Executive Vice President, Head of Customer Services, NTT Communications Corporation
- Jun. 2017 Senior Executive Vice President, NTT Communications Corporation
- Jun. 2018 Representative Director and Executive Vice President, KYOWA EXEO CORPORATION
- Jun. 2019 President and CEO (present position)



**Koichi Mino**  
Director and Managing Operating Officer

Number of the Company's shares held : 21,200  
Board of Directors meeting attendance in FY 2020 : 11/11 times

- Jun. 2011 Branch Manager of Hokkaido Branch, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION
- Jul. 2014 General Manager of NTT Sales Division, NTT Business Headquarters, KYOWA EXEO CORPORATION
- Jun. 2015 Operating Officer, General Manager of NTT Business Headquarters, KYOWA EXEO CORPORATION
- Jun. 2017 Managing Operating Officer, General Manager of NTT Business Headquarters and NTT Sales Division, NTT Business Headquarters, KYOWA EXEO CORPORATION
- Jun. 2020 Director and Managing Operating Officer, General Manager of Corporate Planning Division, KYOWA EXEO CORPORATION (present position)



**Yasushi Kohara**  
Director

Number of the Company's shares held : 1,200  
Board of Directors meeting attendance in FY 2020 : 15/15 times

Outside Independent

- Jun. 2007 Managing Officer, Toyota Motor Corporation
- Jun. 2021 Representative Director and President, Toyota Tokyo Corolla Co., Ltd.
- Jun. 2015 Representative Director and President, Osaka Toyota Motor Co., Ltd.
- Jun. 2018 Outside Director, KYOWA EXEO CORPORATION (present position)

## Statutory Auditors



**Yuki Sakuyama**  
Standing Statutory Auditor

Number of the Company's shares held : 16,500  
Board of Directors meeting attendance in FY 2020 : 11/11  
Board of Statutory Auditors meeting attendance in FY 2020 : 11/11



**Masato Suwabe**  
Standing Statutory Auditor

Number of the Company's shares held : 14,300  
Board of Directors meeting attendance in FY 2020 : -  
Board of Statutory Auditors meeting attendance in FY 2020 : -

Newly appointed



**Tomohiro Kurosawa**  
Director and Managing Operating Officer

Number of the Company's shares held : 18,200  
Board of Directors meeting attendance in FY 2020 : 15/15 times

- Jun. 2011 Senior Vice President, Managing Director of Hokkaido Regional Office, NTT DoCoMo, Inc.
- Jun. 2014 Operating Officer, General Manager of Mobile Sales Division, DoCoMo Business Headquarters, KYOWA EXEO CORPORATION
- Jun. 2015 Managing Operating Officer, General Manager of DoCoMo Business Headquarters, and Mobile Sales Division, DoCoMo Business Headquarters, KYOWA EXEO CORPORATION
- Jun. 2016 Director and Managing Operating Officer, General Manager of DoCoMo Business Headquarters, and Mobile Sales Division, DoCoMo Business Headquarters, KYOWA EXEO CORPORATION
- Jul. 2016 Director and Managing Operating Officer, General Manager of DoCoMo Business Headquarters, KYOWA EXEO CORPORATION (present position)



**Kenji Asano**  
Director and Managing Operating Officer

Number of the Company's shares held : 4,700  
Board of Directors meeting attendance in FY 2020 : 11/11 times

- Jun. 2015 Director, General Manager of Tokyo Division, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION
- Jun. 2017 President and Representative Director, NTT INFRASTRUCTURE NETWORK CORPORATION
- Jun. 2019 Managing Operating Officer, General Manager of Communication & Business Network Headquarters, KYOWA EXEO CORPORATION
- Jun. 2020 Director and Managing Operating Officer, General Manager of Communication & Business Network Headquarters, KYOWA EXEO CORPORATION (present position)



**Naoko Iwasaki**  
Director

Number of the Company's shares held : 0  
Board of Directors meeting attendance in FY 2020 : 15/15 times

Outside Independent

- Apr. 2017 Professor, Institute of e-Government, Waseda University (present position)
- Apr. 2017 President, International Academy of CIO Japan (present position)
- Jan. 2019 Committee Chair, Smart Silver Innovation Committee, APEC (present position)
- Jun. 2019 Outside Director, KYOWA EXEO CORPORATION (present position)
- Jun. 2019 Outside Director, ITOCHU Techno-Solutions Corporation (present position)
- Sep. 2019 Member of Policy Evaluation Council, Ministry of Internal Affairs and Communications (present position)
- Apr. 2021 Expert Advisor, Public Records and Archives Management Commission, Cabinet Office (present position)



**Tomoko Aramaki**  
Statutory Auditor

Number of the Company's shares held : 0  
Board of Directors meeting attendance in FY 2020 : 15/15  
Board of Statutory Auditors meeting attendance in FY 2020 : 6/16

Outside Independent



**Yuichi Koyoma**  
Director and Managing Operating Officer

Number of the Company's shares held : 13,700  
Board of Directors meeting attendance in FY 2020 : 15/15 times

- Jun. 2013 General Manager of Office Users Business Division, Corporate Sales Promotion Headquarters, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION
- Jun. 2014 Senior Vice President, Deputy General Manager of Corporate Sales Promotion Headquarters and Office Users Business Division, Corporate Sales Promotion Headquarters, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION
- Jun. 2016 Managing and Operating Officer, General Manager of Communication & Business Network Headquarters, KYOWA EXEO CORPORATION
- Jun. 2017 Director and Managing and Operating Officer, General Manager of Communication & Business Network Headquarters, KYOWA EXEO CORPORATION
- Jun. 2019 Director and Managing and Operating Officer, General Manager of Group Business Promotion Division, KYOWA EXEO CORPORATION (present position)



**Takafumi Sakaguchi**  
Director and Managing Operating Officer

Number of the Company's shares held : 1,800  
Board of Directors meeting attendance in FY 2020 : -

Newly appointed

- Jun. 2015 President and Representative Director, NTT NEOMEIT CORPORATION
- Jun. 2016 Member of the Board, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION
- Jun. 2017 President and Representative Director, NTT NEOMEIT CORPORATION
- Jun. 2017 Member of the Board, Executive Manager, Service Management Department, Plant Headquarters, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION
- Jun. 2019 Member of the Board, Executive Manager, Service Management Department, Plant Headquarters, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION
- Jun. 2020 President and Representative Director, NTT FIELDTECHNO CORPORATION
- Jun. 2020 Managing Operating Officer, Representative of West Japan Head Office, Branch Manager of Kansai Branch, and Deputy General Manager of ICTSolutions Headquarters, KYOWA EXEO CORPORATION
- Jun. 2021 Director and Managing Operating Officer, Representative of West Japan Head Office, Branch Manager of Kansai Branch, and Deputy General Manager of ICTSolutions Headquarters (present position)



**Tatsushi Mochizuki**  
Director

Number of the Company's shares held : 100  
Board of Directors meeting attendance in FY 2020 : 11/11 times

Outside Independent

- Jul. 2006 Vice Governor of Mie Prefecture
- Oct. 2008 Deputy Director-General of Minister's Secretariat, Ministry of Internal Affairs and Communications
- Jan. 2010 Deputy Director-General of Office for the Local Sovereignty Strategy Council at Cabinet Office
- Sep. 2012 Director-General of the Local Administration Bureau, Ministry of Internal Affairs and Communications
- Sep. 2013 Advisor, Nippon Life Insurance Company
- Apr. 2014 Vice Chairman, Institute of Scientific Approaches for Fire&Disaster
- Aug. 2019 Secretary-General, National Association Chairpersons of Town and Village Assemblies (present position)
- Jun. 2020 Outside Director, KYOWA EXEO CORPORATION (present position)



**Shinnosuke Yamada**  
Statutory Auditor

Number of the Company's shares held : 0  
Board of Directors meeting attendance in FY 2020 : 11/11  
Board of Statutory Auditors meeting attendance in FY 2020 : 10/11

Outside Independent



**Hideo Higuchi**  
Director and Managing Operating Officer

Number of the Company's shares held : 21,700  
Board of Directors meeting attendance in FY 2020 : 15/15 times

- Apr. 1980 Joined KYOWA EXEO CORPORATION
- Jun. 2014 Operating Officer, Branch Manager of Tokai Branch, KYOWA EXEO CORPORATION
- Jun. 2015 Operating Officer, General Manager of Accounts & Finance Division, KYOWA EXEO CORPORATION
- Jun. 2018 Managing Operating Officer, General Manager of Accounts & Finance Division, KYOWA EXEO CORPORATION
- Jun. 2019 Director and Managing Operating Officer, General Manager of Accounts & Finance Division, KYOWA EXEO CORPORATION (present position)



**Keiji Yoshida**  
Director

Number of the Company's shares held : 0  
Board of Directors meeting attendance in FY 2020 : -

Newly appointed Outside Independent

- Apr. 2013 Director and Senior Vice President, Urban Environment Division, JFE Engineering Corporation
- Apr. 2014 Representative Director and Senior Vice President, Urban Environment Division, JFE Engineering Corporation
- Apr. 2016 Representative Director and Executive Vice President, Urban Environment Division, JFE Engineering Corporation
- May. 2017 Chairman, Japan Water Steel Pipe Association
- Apr. 2020 Advisor, JFE Engineering Corporation (present position)
- Jun. 2021 Director, Kyowa Exeo Corporation (present position)



**Kimiko Takahashi**  
Statutory Auditor

Number of the Company's shares held : 0  
Board of Directors meeting attendance in FY 2020 : -  
Board of Statutory Auditors meeting attendance in FY 2020 : -

Newly appointed Outside Independent

## Messages from Outside Directors



### Toward a post-pandemic world: the increased importance of ESG and a global perspective

Naoko Iwasaki Director

#### Applying my knowledge as a researcher to management

I am involved in research and teaching at a university, specializing in ICT management strategy. Amid the accelerating pace of digital transformation both in the public and private sectors, a key aspect of my role is fostering ICT talent. I also conduct interdisciplinary research in cooperation with APEC and other international organizations, focusing on identifying trends in the ICT industry in Japan and abroad, trends in advanced technology and innovation, and changes in the social environment.

As an outside director, I hope to use my expertise in these fields to aid decision-making and other areas of management with advice and recommendations that consider overseas trends. Year by year, the role of the outside director, as required by the Corporate Governance Code, grows in complexity. I see this as an important role given that it serves to appropriately reflect, from a standpoint independent of business execution, the opinions of various stakeholders to the Board of Directors. Another important aspect of corporate management is incorporating the perspective of diversity. I hope that an inclusive environment that supports such values will become the norm.

#### Digital transformation and work style reforms during a pandemic year

The ICT solutions business has become an increasing topic on the agenda of the Board of Directors in addition to the existing telecommunications construction business. Digitalization is likely to advance further in the post-pandemic era. I have offered my views on new projects in this area, from the perspective of an ICT management expert.

In addition, during the formulation of Kyowa Exeo's medium-term management plan and 2030 Vision, I was asked to provide forward-looking recommendations on issues that the Group as a whole would need to address. From the perspective of corporate governance, one area to which I pay close attention is the promotion of diversity and

inclusion, as well as discussions to advance innovation.

In terms of the management of the Board of Directors, I believe that the coronavirus pandemic has shown the effectiveness of our efforts to swiftly promote digital transformation and to implement reforms in the way we work. Detailed explanations are given ahead of board meetings. Even discussions with employees are conducted smoothly online. In the case of topics on the agenda of the Board of Directors and of reports from the officers in charge, there are lively exchanges of views and effective discussions.

In addition, discussions at recent board meetings have included an awareness of SDGs and ESG, which I feel is a significant change. As awareness of global environmental and human rights issues rises, I believe that ESG will be another area in which Kyowa Exeo will have an increasingly important role to play.

#### Further strengthening governance

The number of global projects has increased in recent years, and we recognize the need to further strengthen governance. The same is true in Japan. It will be important for the president to exercise strong leadership at the top to use synergies organically among the three subsidiaries in western Japan and the entire group.

Fiscal 2020 was a year defined by the fight against COVID-19. The transition to a post-pandemic world is already in motion, with mounting pressure to pursue innovation toward new lifestyles and business models. Business competitiveness will derive from speed—in recovery and in rebuilding.

In Japan, given the declining population, expanding business to global markets is critical. Amid increasing uncertainty about the future, we must continue to implement thorough risk management, strengthen governance, and be accountable to our stakeholders. These efforts will lead to further growth. I will support them by carrying out my responsibilities as an outside director.



### Looking ahead in an era of population decline Emphasizing discussion on work style reform and diversity

Tatsushi Mochizuki Director

#### Using local government experience to lead discussions on new regional projects

I have worked for the Ministry of Internal Affairs and Communications and six local governments. I have carried out work related to local government administration and finances, from creating laws and other systems to working directly with residents. The work of local governments encompasses a wide range of areas, including welfare, education, environment, disaster prevention, industrial promotion, information technology measures, and infrastructure development. I try to base my contributions at board meetings on this experience, highlighting the perspectives of residents, the community, and the government.

For example, at a board meeting in fiscal 2021, an agenda item was proposed concerning the launch of a new project in a certain region. The project would bring employment and tax revenue to the region, while for the Company, it would be a core part of our future business aligned to the social issue of a decarbonized society.

I know from firsthand experience working in local government that local expectations for such projects are very high, and that it is vital to develop a relationship of trust with the local community. I therefore strongly requested that the project be carried out with the full understanding of the local community, including the administrative authorities. Step-by-step preparations for the execution of the project are underway. I am sure that all necessary preparations will be conducted before execution.

#### Creating opportunities for site visits, when the pandemic subsides

The information provided to outside directors is substantial. Prior to board meetings, briefing sessions are always held on the items to be discussed. This enables outside directors and outside auditors to come to the meeting with background knowledge. There are also vector meetings after board meetings as appropriate, where specific topics are explained and discussed. Explanations are also provided concerning

discussions at management meetings and other meetings where outside directors are not present.

Site visits have been organized several times in the past but unfortunately, in fiscal 2020, these had to be put on hold due to the pandemic. I hope that once the situation improves, the Company will actively provide opportunities to visit the sites and hear from the people in charge.

I would also welcome training opportunities such as off-site study sessions or discussions attended by lecturers that would enable me to better understand the Company's business and issues.

#### Becoming a company that attracts strong talent

It goes without saying that the strength of our Group lies in our advanced technological capabilities.

This strength is in turn supported by people—by the power of each and every employee. Securing such people is vital. The Group will depend on this going forward, so that it can further expand its business qualitatively and quantitatively and increase its corporate value. However, the working-age population is projected to decline by more than 20% in the 20 years to 2040, as junior baby boomers become elderly. In other words, acquiring talent will become more and more difficult with each passing year.

To deal with this risk and to hire candidates who can inherit and develop the Group's technologies, it is important to create an attractive workplace, especially by thoroughly reforming work styles and emphasizing diversity. We will also have to move forward with seeking talent overseas. I believe that if a company is a place where everyone can work comfortably and where valuable work can be done, people will want to work there.

Rapid population decline and major changes in the composition of the population are both predictable. If one fails to take swift action, it will be too late by the time you realize it. I strongly believe that it is important to make steady efforts one day at a time. As a member of the Board of Directors, I want to play a role in accelerating such discussions.

# Corporate governance system and initiatives

## Governance system

### Corporate governance system and rationale for adopting this system

We have adopted a board of statutory auditors system. We have 11 Directors, including four Outside Directors, and five Statutory Auditors, including three Outside Statutory Auditors. In fiscal 2019, we held fifteen Board of Directors meetings and sixteen Board of Statutory Auditors meetings. We have also adopted an operating officers system to separate between management decision-making and supervisory function and business execution function to achieve prompt and appropriate decision-making and business execution, while further strengthening our corporate governance.

The Board of Directors, chaired by the Representative Director and Chairman, makes decisions on important matters and supervises business execution. Operating officers execute operations based on the Board of Directors' decisions. Furthermore, we have a Management Council in place that discusses important business execution matters.

The Company has adopted a Company with Audit and

Supervisory Board format, having determined this system to be the most conducive to ensuring appropriate corporate governance. Members of the Board of Statutory Auditors attend meetings of the Board of Directors and other important meetings in accordance with the audit policy and audit plan. They observe, from a perspective of fairness and impartiality, the execution of duties by the Board of Directors and audit the business and financial conditions of major offices and Group companies.

### Nomination Committee and Compensation Committee

To further enhance our corporate governance, we have established a Nomination Committee and Compensation Committee as internal units of the Board of Directors. The Nomination Committee deliberates on matters such as the selection of candidates for Directors. The Compensation Committee deliberates on matters such as remuneration and bonuses for Directors. Each reports relevant items to the Board of Directors.

The composition of the committees for fiscal 2021 is shown in the figure on the right.

### Composition of the Nomination Committee for fiscal 2021



### Composition of the Compensation Committee for fiscal 2021



 Outside Director (honorifics omitted)

### Evaluating the effectiveness of the Board of Directors

To enhance the function of the Board of Directors and corporate value, Kyowa Exeo evaluates the effectiveness of its Board of Directors based on the results of questionnaire surveys among all Directors and Statutory Auditors, which are collected and analyzed by an external organization to ensure objectivity, as well as discussions at meetings of the Board of Directors. It has been confirmed that its Board of Directors has adequate scale and structure and is appropriately operated to ensure proper decision-making

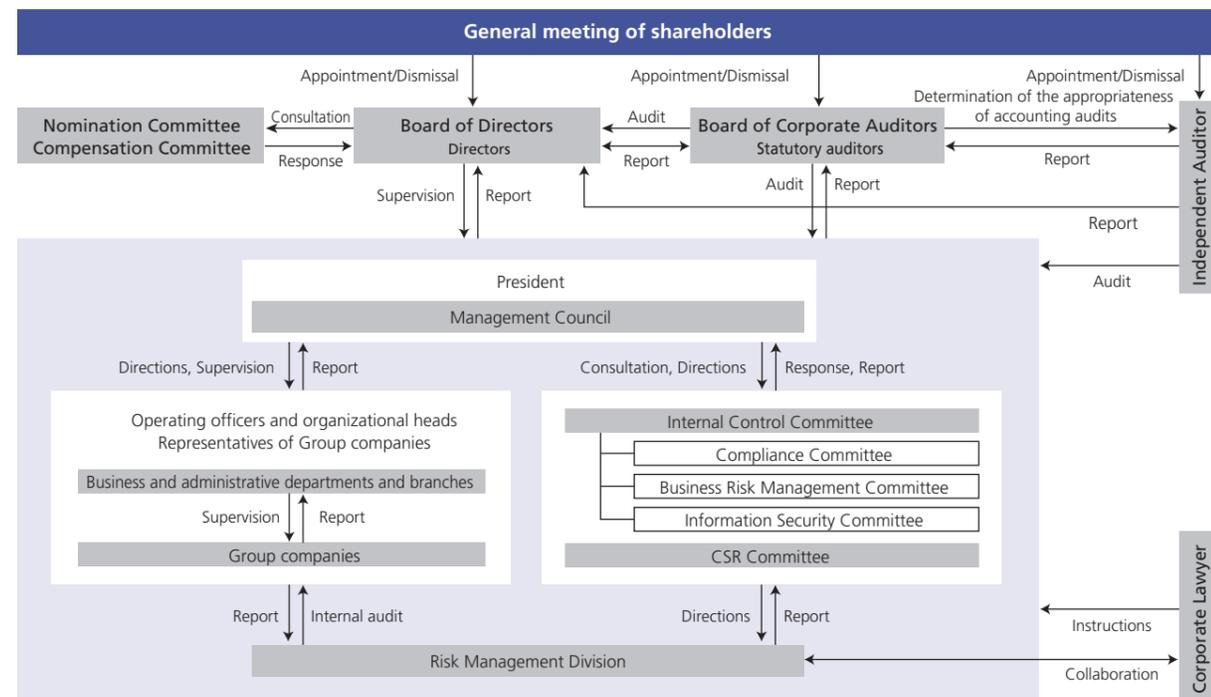
on important management agendas and supervision of business execution.

From June 2020, we reduced the number of directors from 15 to 12, increasing the number of independent outside directors from three to four. We took an additional measure to strengthen governance further by increasing the number of independent outside statutory auditors by one from June 2021.

In addition, we continued to distribute Board of Directors' meeting materials as early as possible, to enhance the explanations that we provide in advance to independent outside directors and independent outside statutory auditors, and to arrange for site visits by independent outside directors. During the fiscal year under review we also conducted "vector meetings," for 15 projects, in which all business units align their directions by discussing their business strategies among other matters at an early stage. Outside directors and outside statutory auditors actively make comments from an independent standpoint in discussions at meetings of the Board of Directors. We see the steady effects of these efforts in the strengthening of the effectiveness of the Board of Directors.

On the other hand, based on the results of the effectiveness evaluation conducted this time, the Board of Directors shared its view on discussions needed to further strengthen governance. These included: a need to secure more time for discussion by reviewing the agenda items to be submitted to the Board of Directors; sharing information on new investment projects as early as possible and monitoring

### Kyowa Exeo's corporate governance system (As of June 23, 2021)



### Transition to a stronger governance system

	Measure	Composition of the Board of Directors	Female Directors
2020	Increased the number of outside directors (from 3 to 4) The majority of the members of the Nomination Committee and Compensation Committee are outside members	8 inside 4 outside	12 in total 1 person
2018	Increased the number of outside directors (from 2 to 3)	12 inside 3 outside	15 in total 1 person
2015	Increased the number of outside directors (from 1 to 2) Using a third-party organization, conducted a questionnaire for evaluating the effectiveness of the Board of Directors	9 inside 2 outside	11 in total 1 person
2014	Appointed an outside director (1)	11 inside 1 outside	12 in total 1 person
2009	Adopted an operating officers system	8 inside	8 in total 0 person
2003	Established Nomination Committee and Compensation Committee	18 inside	18 in total 0 person

the status of investment recovery; and holding sufficient discussions on initiatives to improve sustainability such as ESG and SDGs.

Going forward, based on these results of board evaluation and opinions, the Company's Board of Directors will fully consider measures for improving its effectiveness and continue to implement initiatives for enhancing its functions.

### Use of outside directors and auditors

The Company has four outside directors and three outside statutory auditors. The functions and roles that outside directors and outside statutory auditors should carry out in the corporate governance of the Company are as follows. Outside directors fulfill the function of supervising and monitoring the management of the Company from an independent and neutral standpoint, providing comments based on their abundant experience and wide-ranging knowledge. Outside statutory auditors fulfill the management monitoring function by auditing from an objective standpoint, offering a perspective informed by advanced expertise, abundant experience and wide-ranging knowledge.

Regarding the criteria or policies concerning independence for appointing outside directors or outside statutory auditors, the Company secures independent directors or auditors in accordance with Article 436-2 and Article 445-4 of the

Securities Listing Regulations of Tokyo Stock Exchange, Inc. and the criteria for determining independence stipulated by the same exchange ("Guidelines for Listing Management, etc.").

### Remuneration of officers

#### Policy for Determining the Content of Individual Remuneration, etc. for Directors

Our basic policy concerning the decision-making about compensation for directors and its calculation is to effectively incentivize executives to contribute to increasing our corporate value and improving our short, medium and long-term performance and to maintain a level for securing outstanding talent who will drive the business of Kyowa Exeo as the leading information and communication network company.

Our specific policy concerning the decision-making about compensation and its calculation is deliberated by the Compensation Committee, which is comprised of directors including independent directors selected by the Board of Directors, and then determined by resolution of the Board of Directors to secure the transparency and fairness of the decision-making process.

Compensation for Directors consists of base compensation, bonuses, and restricted shares. Details are as shown on the page on the right.

#### Matters concerning resolutions of the General Meeting of Shareholders regarding remuneration, etc. of directors and statutory auditors

It was resolved at the 55th Ordinary General Meeting of Shareholders, held on June 23, 2009, that the amount of monetary remuneration for directors shall not exceed ¥350 million per year (not including employee salaries in the case of directors who also serve as employees).

The number of directors as of the close of this Ordinary General Meeting of Shareholders is eight.

In addition, separate from monetary remuneration, it was resolved at the 65th Ordinary General Meeting of Shareholders, held on June 21, 2019, that: the annual amount of remuneration for performance-linked restricted stock shall not exceed ¥50 million and the maximum number of shares shall not exceed 50,000 shares per year; the annual amount of remuneration for continuous service-linked restricted stock shall not exceed ¥50 million and the maximum number of shares shall not exceed 50,000 shares per year. (Outside directors are not eligible.) The number of directors (excluding outside directors) as of the close of this Ordinary General Meeting of Shareholders is 12.

At the 55th Ordinary General Meeting of Shareholders, held on June 23, 2009, it was resolved that the amount of monetary remuneration for statutory auditors shall be within ¥80 million per year. The number of statutory auditors as of the close of this Ordinary General Meeting of Shareholders is five.

#### Matters concerning the delegation of responsibility for determining details of individual remuneration, etc. of directors

At Kyowa Exeo, Tetsuya Funabashi, President and Representative Director, determines the specific amount of compensation for each individual director based on the authority delegated to him by resolution of the Board of Directors.

Such authority, which governs the determination of the amount of base compensation and bonuses for each director, was delegated to the President and Representative Director on the grounds that the President and Representative Director is the most suitable person to evaluate, in the context of the Company's overall performance, each of the businesses for which directors are responsible.

The Board of Directors has made it a condition of the above delegation that the Compensation Committee shall confirm that details such as the amount of base compensation for each director are appropriate, to ensure that the above authority may be properly exercised by the President and Representative Director. Since the amount of remuneration for each individual director has been determined through such confirmation procedures, the Board of Directors has determined the content to be in line with the decision-making policy.

The Compensation Committee, which conducts the above procedures, met four times during the fiscal year under review.

### Reasons for selection of outside directors and their expertise and experience

	Reason for appointment	Expertise and experience					ESG (Environmental, Social and Governance)
		Corporate management	National and local government administration	Global experience	Human resources and labor relations	Experience in different industries and diversity	
<b>Yasushi Kohara</b> ● Appointed in 2018	Having gained deep experience and insight in corporate management at the Toyota Group, Mr. Kohara has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling his role as an outside director.	●				●	●
<b>Naoko Iwasaki</b> ● Appointed in 2019	Ms. Iwasaki is a leading international researcher and expert on the use of ICT in international relations, national and local government administration, disaster countermeasures and BCP, aging society, and women's career advancement. She has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling her role as an outside director.		●	●		●	●
<b>Tatsushi Mochizuki</b> ● Appointed in 2020	Mr. Mochizuki has been involved in key positions in central government ministries and local governments for many years. With the insight he has accumulated through his career, he has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling his role as an outside director.		●			●	●
<b>Keiji Yoshida</b> ● Appointed in 2021	Mr. Yoshida has a wealth of experience and insight in corporate management as an officer of JFE Engineering Corporation and other companies.	●			●	●	●

● Denotes members of Nomination and Compensation Committees for fiscal 2021

### Total amount of remuneration, etc. for directors and statutory auditors

Classification of officers	Total amount of remuneration, etc. (¥ Millions)	Total amount of remuneration, etc. by type (¥ Millions)				Number of eligible officers (persons)
		Monetary remuneration		Non-monetary compensation		
		Base compensation	Bonus	Restricted stock	Stock option	
<b>Director (excluding outside directors)</b>	324	151	123	47	2	10
<b>Statutory auditors (excluding outside statutory auditors)</b>	40	40	—	—	—	3
<b>Outside officers</b>	<b>Outside directors</b>	36	36	—	—	4
	<b>Outside statutory auditors</b>	15	15	—	—	3

(Note)

- Amounts are rounded down to the nearest million yen.
- The above figures include two directors and two statutory auditors (including one outside statutory auditor) who retired at the conclusion of the 66th Ordinary General Meeting of Shareholders held on June 24, 2020.
- The above figures do not include four directors who receive no remuneration.
- Base compensation is aligned to the rank of the position and is fixed at an appropriate level based on consideration of the business environment and market rates.
- Bonuses are paid to directors (excluding outside directors), and are determined based on a comprehensive consideration of the business environment and other factors, with the basic principle of linking bonuses to business performance based on consolidated profit for the fiscal year under review. The calculation indices for bonuses are consolidated operating profit and consolidated net income, as directors are responsible, as business operators, for overall consolidated performance. In the fiscal year under review, the target for consolidated operating profit was ¥32.0 billion and the target for consolidated net income was ¥21.1 billion. The actual results were ¥36.6 billion in consolidated operating profit and ¥24.1 billion in consolidated net income.
- As non-monetary remuneration, etc., 18,000 shares of restricted stock have been issued to eight directors (excluding outside directors). Restricted stock consists of performance-linked restricted stock and continuous service-linked restricted stock. Performance-linked restricted stock is granted in accordance with the rank of the employee, based on the linkage with the achievement of business results through medium- to long-term consolidated profits, etc., for the purpose of providing medium- to long-term incentives for the sustainable enhancement of corporate value and promoting the sharing of value with shareholders. The performance-linked index for performance-linked restricted stock is consolidated operating profit. It is directly linked to the achievement of performance targets, providing an index that promotes the sharing of value with shareholders. With respect to service continuous service-linked restricted stock, the condition for waiving the restriction on transfer is that the employee continuously serves as a director of the Company or in a certain other position for a certain period of time. In the above, the amount of remuneration by performance-linked restricted stock and stock options is also included in the total amount of items such as non-monetary remuneration. However, no new stock options were granted in the current fiscal year.
- Since outside directors and statutory auditors are independent from the execution of business, their remuneration is limited to base compensation.

**Risk management**

The Kyowa Exeo Group’s basic policy for risk management is as follows:

**Basic Policy**

- (1) When setting strategies and business performance targets and practicing efforts to achieve them, we seek integration of strategies and risk management by considering risk profiles, risk appetite, risk capacity and risk tolerance.
- (2) By recognizing risks clearly at an earlier stage and promptly providing as many choices as possible for risk management, we reduce the possibility of unachieved business targets, losses, accidents and failures.
- (3) By monitoring risks on a regular basis, we address any deviation from intended performance swiftly and with consistency.
- (4) With a grasp of our comprehensive and consistent risk portfolio, we seek optimum allocation of the Group’s resources.

**Risk management system**

The Kyowa Exeo Group sets forth its basic rules on risk management in the “Risk Management Rules” and sets up risk categories and corresponding Risk Management Divisions. In addition, the Group established and has been operating the Business Risk Management Committee as the Group-wide risk manager to identify and evaluate Group-level risks.

**Risk management category**

Risk management category		Description of the risk
Business risk	Management risk	<p><b>Business environment risk</b> Risk relating to changes in the management and business environments</p> <p><b>Management strategy risk</b> Risk relating to the decision-making concerning management and business strategies, etc.</p>
	Business process risk	Risk relating to daily business operations
	Disaster risk	Risk relating to the occurrence of natural disasters

**Business Risk Management Committee**

As the Group-wide risk manager, the committee was established to provide the risk management systems required to accomplish strategies and business performance targets in the process of creating, maintaining and realizing value and to steadily provide the Group’s stakeholders with reasonable expectations that risks can be controlled to a tolerable amount. The standing members of the Committee are the General Manager of the Corporate Planning Division, the General Manager of the Group Business Promotion Division, the General Manager of the Accounts & Finance Division, and the General Manager of the Risk Management Division. The number of meetings held in fiscal 2020 was 15.

**Business Risk Manager (1st-tier risk manager)**

As the 1st-tier risk managers, the Business Risk Managers set forth strategies that are consistent with the Kyowa Exeo Group’s mission, vision and core values. In addition, the managers develop concrete action plans and manage the progress thereof to address risks according to the environments of their organizations and in line with the risk addressing policies presented by the Support Division teams.

**Support Division (2nd-tier risk manager)**

As the 2nd-tier risk managers, the Support Division teams provide guidelines for addressing the category of risks they attend to and monitor the appropriateness and effectiveness of measures taken to address risks and the status of correction.

**Internal Audit Division (3rd-tier risk manager)**

As the 3rd-tier risk manager, the Internal Audit Division conducts internal audits of the performance of the Business Risk Managers to identify problems and matters to be improved, issues recommendations for improvement, provides the latest information on the matters to be improved and verifies the status of improvement.

**Utilization of the ISO-compliant management systems**

From among the business process risks, the Company utilizes the ISO-compliant management systems to manage the risks relating to quality assurance, environmental conservation, occupational health and safety and information security. We formulate policies for managing these risks by using the relevant risk assessment methods given in the ISO management systems and implement the policies while making ongoing improvements in the effectiveness and appropriateness of business operations.

The Company and major subsidiaries acquired a groupbased ISO certification and are committed to standardize the management procedures by implementing ISO-compliant management systems in a unified manner across the Group. Taking the opportunity of the ISO quality and environment management system updates with the 2015 revisions, we reviewed the management system certification process which focuses on the internal rules in effect to streamline the process.

**ISO management systems of which certification has been acquired**

Category	Applicable standards	Date of registration
Quality Management System	JIS Q 9001:2015	February 22, 1999
Environment Management System	JIS Q 14001:2015	May 12, 2000
Occupational Health and Safety Management System	JIS Q 45001:2018	September 19, 2003
Information Security Management System	JIS Q 27001:2014	November 10, 2004

**Information security**

In the course of its business operations, Kyowa Exeo Group handles important information, such as technical data and customer data held by customers. We are working to strengthen our information security, given the increasingly critical importance of appropriate information management, amid the spread of cloud services, social media, and other forms of networks.

In terms of our system, we are improving our management system by assigning an officer in charge as the chief information security officer, as well as assigning an information management officer and information manager for each organization. In addition, under the supervision of the Information Security Committee, we determine policy for the entire Group’s efforts, monitor the overall status of the efforts, consider measures to prevent recurrence in the event of an accident, evaluate the status of improvement, and promote continuous improvement.

Furthermore, the Group conducts information security training for all employees, mock exercises to respond to targeted email attacks, and various security checks.

**Efforts to protect personal information**

The Company engages in a broad range of business operations and handles a large amount of personal information in the process of carrying out these operations. In the recognition that appropriately managing such information is a corporate social responsibility, we are promoting efforts to ensure the protection of private information under the Privacy Policy.

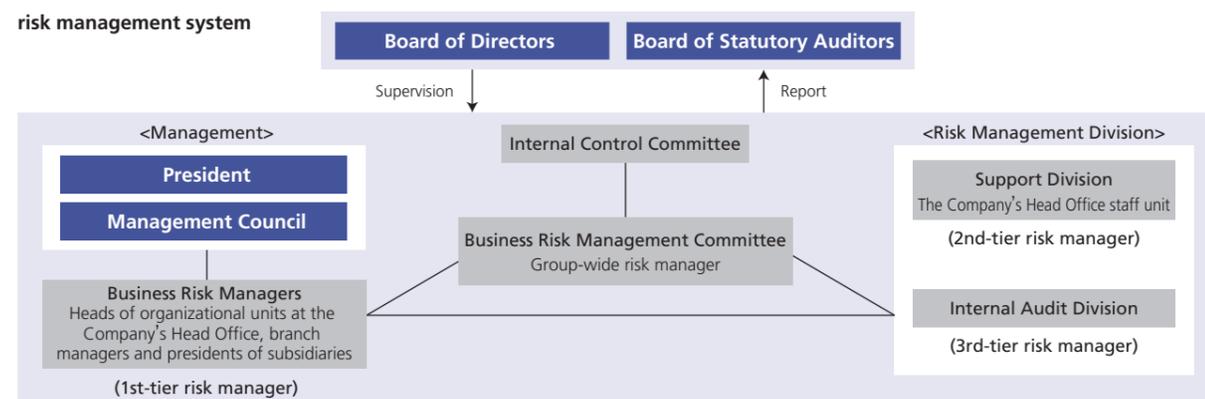
In response to the implementation of the Amended Act on the Protection of Personal Information in May 2017, we reviewed and enhanced our privacy management measures by taking an inventory of personal information held and reviewing the management of records concerning the provision and receipt of personal information.

To ensure the continued protection of personal information in an appropriate manner, we have continually updated our certification of the Personal Information Protection Management System.

For the details of the Kyowa Exeo Privacy Policy, visit:  
<https://www.exeo.co.jp/company/ppolicy.html>



**risk management system**



**Compliance**

In the Kyowa Exeo Group, everybody on the management team maintains a high standard of ethics—integrity—when conducting business. Furthermore, individual directors and employees make principled actions grounded in compliance to fulfill their social responsibility.

**Exeo Group Basic Actions Declaration**

Based on the Exeo Group Compliance Program, the officers and employees of the Group presuppose compliance with not only laws and regulations but also corporate ethics, including the spirit underlying those ethics, and practice activities with high social value, thereby contributing to society.

Given that a company is part of society, it is a prerequisite for all stakeholders in a company, irrespective of whether officers or employees of the company, to comply with laws and corporate ethics when carrying out the company's business operations. Such compliance is also a matter of course for us as individual members of society.

In addition, ensuring such compliance is indispensable for the company to maintain the trust of society and the realization of the Group's corporate philosophy of "Contributing to Society."

In light of the above, we shall prioritize without hesitation laws and regulations and corporate ethics in case we are forced to select either earnings or ethics in our own activities.

**Compliance program**

**Whistle-blowing system**

Regarding compliance-related concerns, the "Support Desk" is the contact point for whistleblowers, and the "Lawyer Hot Line" is provided to enable direct consulting or communication with corporate lawyers.

All employees of the Kyowa Exeo Group are provided with "Compliance Cards" to raise their awareness of the contact point for whistleblowers and guidelines for use.

We strictly protect the privacy of whistleblowers, taking all possible measures to ensure that users of the system do not suffer any disadvantages as we work to resolve each issue.

**Compliance training**

We conduct compliance training at least once a year for management and all employees.

We invite outside instructors to provide training for management-level employees, including officers such as representative directors, general managers of the head office, branch managers, and presidents of Group companies. Basic compliance training is conducted for all employees.

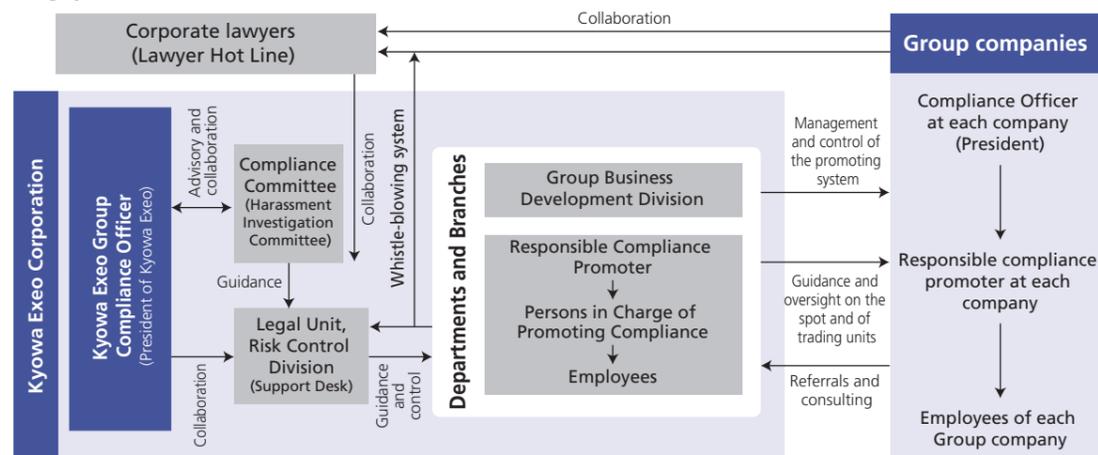
In addition, we raise awareness effectively by incorporating compliance into training by job level and providing training on the content of each job position.

**Compliance promotion and enhancement month**

We have established a compliance promotion and enhancement month to further reinforce compliance.

During this period, we display posters and distribute email newsletters to employees.

**Promoting system**



\* Supervision and monitoring of the system is carried out by the Board of Directors and Board of Statutory Auditors

**Discussions with shareholders and investors**

**Shareholders' Meeting**

On June 23, 2021, the Company held its 67th Annual Shareholders' Meeting. Although the scale was reduced again this year due to social distancing measures during the pandemic, the Company views the meeting as an important forum for communicating with its shareholders. Accordingly, we are taking the following seven initiatives.

1. Holding of meetings while avoiding days on which there is a high concentration of shareholders' meetings
2. Early dispatch of the convocation notice
3. Disclosure of the convocation notice prior to dispatch
4. Exercise of voting rights by electromagnetic means
5. Participation in the voting rights exercise platform
6. Disclosure of an English-language convocation notice
7. Introduction of a smartphone-based voting right exercise service

**Shareholder benefits**

One of our initiatives to increase the attractiveness of our shares is our shareholder benefits program. Shareholders of 1,000 shares or more will receive a Quo Card worth ¥1,000 or ¥2,000, depending on how long they have held their shares.

**Shareholder benefit system**

<b>Holding period of less than three years</b>	Quo card worth ¥1,000
<b>Holding period of three years or more</b>	Quo card worth ¥2,000

\* Sent once a year in late June after the close of the Company's shareholders' meeting.



**Earnings announcement**

In accordance with the Securities Listing Regulations, we prepare full-year and quarterly summaries of financial results at the Tokyo Stock Exchange, and disclose them fairly, promptly and extensively through TDnet and other media.

**IR activities**

We hold financial results briefings, business briefings, site tours, and individual investor briefings for shareholders, institutional investors, and securities analysts to promote understanding of the Company's business and performance trends. We hold many individual meetings with domestic institutional investors and securities analysts throughout the year. For overseas investors in Europe, North America, Asia, and other regions with a high ratio of foreign shareholders, we arrange a meeting with the president once a year to proactively communicate with them.

In fiscal 2020, while the coronavirus pandemic required that we change all of the above-mentioned briefings and meetings to online meetings, we conducted IR activities as vigorously as before.



Online meetings with overseas investors



Financial results briefing held via Zoom

Please see our corporate website for IR information.  
<https://www.exeo.co.jp/ir/>

## Eleven-year major financial data

Item	Unit	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
<b>Operating results</b>												
Orders received	¥Millions	273,788	288,532	317,862	304,201	301,446	300,438	324,102	325,029	424,318	556,321	631,088
Net sales of completed construction contracts	¥Millions	282,264	273,134	301,319	318,513	300,912	287,437	298,825	312,669	423,727	524,574	573,339
Gross profit on completed construction contracts	¥Millions	30,299	26,806	36,113	38,543	35,740	35,795	38,480	43,354	58,337	68,327	75,865
Operating Profit	¥Millions	12,390	8,919	18,046	20,734	18,358	18,412	20,873	25,621	31,716	31,100	36,623
Selling, general and administrative expenses	¥Millions	17,908	17,886	18,067	17,809	17,382	17,382	17,607	17,732	26,620	37,226	39,241
Ordinary profit	¥Millions	13,246	9,178	18,119	20,602	18,589	18,512	21,409	26,448	33,431	30,669	38,186
Profit attributable to owners of parent	¥Millions	—	7,856	11,313	14,910	12,264	12,184	13,789	17,993	40,219	15,603	24,192
Capital expenditures	¥Millions	4,045	1,964	3,360	7,372	4,219	13,215	7,139	4,194	3,887	15,855	12,239
Depreciation	¥Millions	3,039	2,947	2,308	2,264	2,660	3,001	3,251	3,272	4,725	6,473	6,789
<b>Financial status</b>												
Total assets	¥Millions	196,918	181,291	200,412	217,091	228,422	238,301	243,438	261,305	416,483	444,905	491,574
Property, plant and equipment	¥Millions	48,447	47,736	47,707	50,767	52,005	59,830	62,002	62,664	97,955	107,677	57,925
Net assets	¥Millions	112,232	113,411	122,387	135,687	146,768	151,241	158,280	176,101	267,811	270,109	288,884
Balance of interest-bearing debt (balance of loans payable, bonds payable, etc.)	¥Millions	21,326	8,178	9,908	13,374	8,679	16,299	12,825	11,435	18,049	47,167	57,520
<b>Cash flow status</b>												
Cash flows from operating activities	¥Millions	614	16,435	7,160	9,888	23,167	5,389	15,504	24,800	12,770	17,299	6,301
Cash flows from investing activities	¥Millions	(1,535)	(4,523)	(2,160)	(7,477)	(2,828)	(13,907)	(6,027)	(4,538)	(17,609)	(17,085)	(9,249)
Free cash flow	¥Millions	(921)	11,912	4,999	2,411	20,338	(8,518)	9,477	20,262	(4,839)	213	(2,948)
Cash flows from financing activities	¥Millions	(3,650)	(17,533)	(3,038)	(905)	(12,343)	313	(10,230)	(5,137)	(4,924)	4,227	(1,750)
Cash and cash equivalents at end of period	¥Millions	17,634	12,304	14,611	16,213	24,291	16,037	15,241	30,343	41,469	46,012	41,246
<b>Per share data</b>												
Earnings per share	¥	75.58	74.96	109.25	147.75	123.83	125.90	145.24	189.42	390.25	139.75	217
Net assets	¥	1,027.98	1,084.44	1,199.86	1,350.05	1,482.82	1,569.09	1,668.29	1,842.97	2,343.43	2,395.16	2,577
Cash dividend	¥	20	20	22	24	32	38	46	50	70	80	82
Payout ratio	%	26.5	26.7	20.1	16.2	25.8	30.2	31.7	26.4	17.9	57.2	37.7
<b>Financial indices</b>												
Operating profit margin	%	4.4	3.3	6.0	6.5	6.1	6.4	7.0	8.2	7.5	5.9	6.4
Profit attributable to owners of parent to net sales	%	—	2.9	3.8	4.7	4.1	4.2	4.6	5.8	9.5	3.0	4.2
Return on equity (ROE)	%	7.6	7.2	9.6	11.6	8.7	8.2	8.9	10.8	18.3	5.9	8.8
Return on assets (ROA)	%	4.1	4.2	5.9	7.1	5.5	5.2	5.7	7.1	11.9	3.6	5.2
Equity ratio	%	53.9	62.4	60.9	62.3	64.0	63.3	64.8	66.6	63.4	59.9	58.1
<b>Stock price</b>												
Highest stock price	¥	854	863	1,079	1,495	1,494	1,543	1,744	3,075	3,410	3,135	3,030
Lowest stock price	¥	605	675	690	944	1,141	1,096	1,142	1,559	2,309	1,906	2,182
<b>Other</b>												
Number of consolidated employees	People	7,729	7,872	7,521	7,553	7,988	7,903	8,074	8,331	13,151	13,882	14,374

## Analysis of operating results and financial status

### Operating results

Although the economy of Japan in the current consolidated fiscal year (April 1, 2020 to March 31, 2021) initially plummeted due to the spread of COVID-19, it slowly started to recover in the summer, following a gradual return in economic activity and the effects of various government and municipal policies. However, the future still remains uncertain after an increase in the number of cases of infection in early fall and another declared state of emergency.

Despite such a social situation, new IT investments are rapidly advancing in the information and communications field that the Company does business in due to new telecommunications carriers entering the mobile solutions market, as well as swift progress in the 5G base station development plans of each company, a demand for new normal work styles such as telework, and promotion of the digital transformation of companies. Additionally, while private capital investment declined in the construction field due to the impact of COVID-19, public projects and other investments in construction by the government for building national resilience, along with measures against aging infrastructure have been steadily increasing.

Under this business environment, construction in the access field of the telecommunications carrier business was strong in fiscal 2020, which is the final year in the medium-term business plan (fiscal 2016 to 2020), following an increase in demand for optical lines as a result of more teleworking and the Project on Promoting Advanced Radio Environment in rural areas. There have also been many orders for the construction of wireless base stations and for the equipment of new telecommunications carriers. The urban infrastructure and system solutions businesses saw progress

with major projects for the GIGA school program and the construction of large-scale data centers, and although the global construction field was affected by the lockdowns in each country, we continued to take on new business challenges, working to establish a business foundation for future growth.

In addition, we worked with our western Japan subsidiaries, which merged in 2018, to strengthen cooperative relationships through mutual support with cabling in each business field, and we have started jointly using ordering/process management systems as an effort to create synergy.

Furthermore, we promoted measures for COVID-19 and work style reforms within the Group by implementing a system that allows all Head Office employees to freely change desks, and we drove digital transformation by strengthening security to accommodate teleworking and reforming business processes.

As a result of these efforts, net sales of completed construction contracts increased by ¥48,765 million from the previous consolidated fiscal year to ¥573,339 million (up 9.3% year over year). Regarding profits, operating profit increased by ¥5,523 million from the previous consolidated fiscal year to ¥36,623 million (up 17.8% year over year), ordinary profit increased by ¥7,516 million from the previous consolidated fiscal year to ¥38,186 million (up 24.5% year over year), and profit attributable to owners of parent increased by ¥8,589 million from the previous consolidated fiscal year to ¥24,192 million (up 55.0% year over year). Return on equity (ROE) increased by 2.9 percentage points to 8.8%, and earnings per share (EPS) increased by ¥77.58 to ¥217.33.

In March 2021, the Company was also jointly selected as a Semi-Nadeshiko listed enterprise that proactively

encourages women's success in the workplace for the year ending March 2021 by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange Inc. We have been highly evaluated for our continued efforts since 2016 to promote diversity as a management strategy aimed at revitalizing the organization. The impact of the COVID-19 pandemic in the current consolidated fiscal year was limited.

in notes receivable, accounts receivable from completed construction contracts.

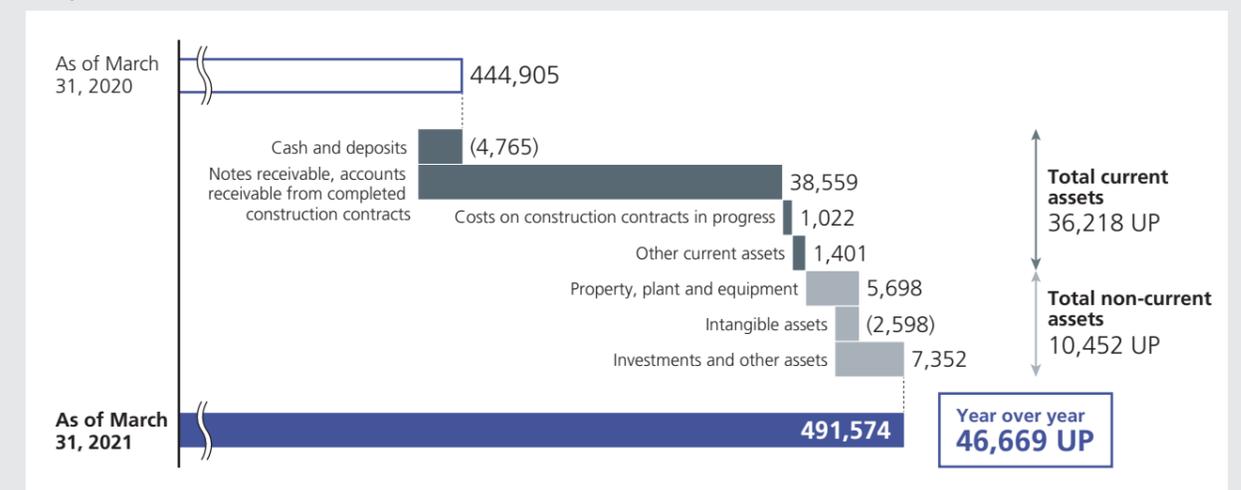
Liabilities increased by ¥27,894 million from the end of the previous consolidated fiscal year to ¥202,689 million (up 16.0% year over year). This was mainly due to an increase in notes payable, accounts payable for construction contracts, and Short-term borrowings.

Net assets increased by ¥18,775 million from the end of the previous consolidated fiscal year to ¥288,884 million (up 7.0% year over year). This was mainly due to an increase in retained earnings.

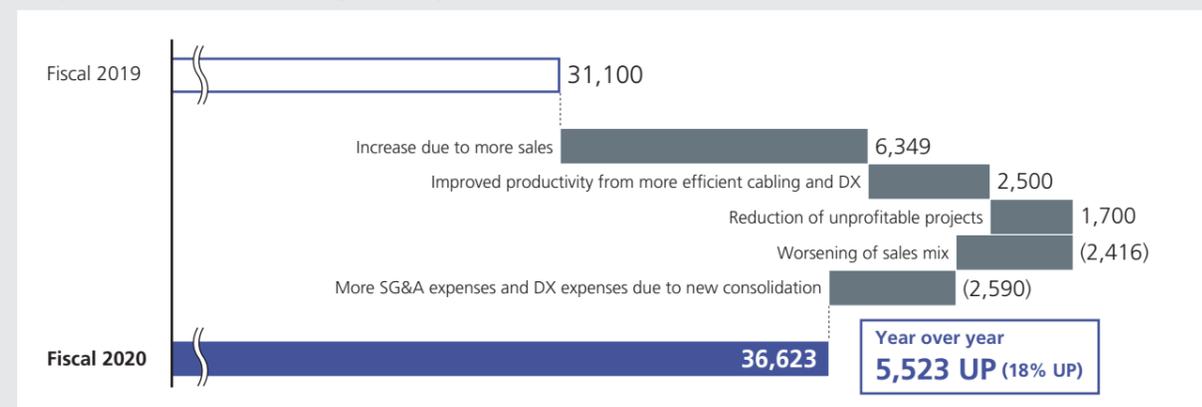
### Financial status

Assets increased by ¥46,669 million from the end of the previous consolidated fiscal year to ¥491,574 million (up 10.5% year over year). This was mainly due to an increase

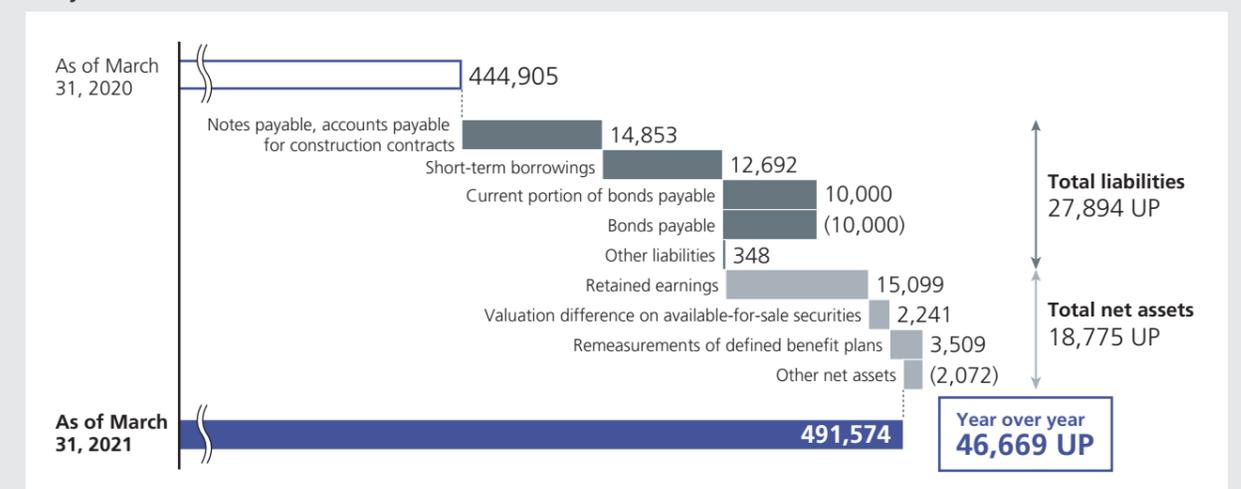
Analytical chart of assets (¥Millions)



Analytical chart of factors affecting operating profit (¥Millions)



Analytical chart of liabilities and net assets (¥Millions)



**Cash flow status**

The capital demand of the Group includes ordinary working capital, as well as real estate capital investment funds for improving productivity and M&A investment funds for expanding business. Regarding distribution of returns to shareholders, our basic policy is to actively continue ensuring stable dividends, and we have flexibly conducted share buy-back while employing a dividend on equity (DOE) of 3.5% as the benchmark percentage.

The source of the Group's funding comes from cash earned through operating activities, but when there are shortages, we raise funds mainly from liabilities while considering how to maintain a sound financial position. We deal with a temporary lack of funds through short-term borrowing from financial institutions, and if long-term demand for investment funds or other types of funds arises, we mainly consider issuing straight bonds or SDG bonds. The funds of our domestic subsidiaries are centrally managed by the Company, and we are working to improve the efficiency of funds within the Group and liquidate them.

As a result of such efforts, cash and cash equivalents (hereinafter referred to as "funds") at the end of the current consolidated fiscal year decreased by ¥4,766 million from the end of the previous consolidated fiscal year to ¥41,246 million.

The status of each cash flow is as follows.

**Cash flows from operating activities**

Funds provided by operating activities were ¥6,301 million (¥17,299 million in the previous fiscal year). This was mainly due to profit before income taxes and payment of income taxes.

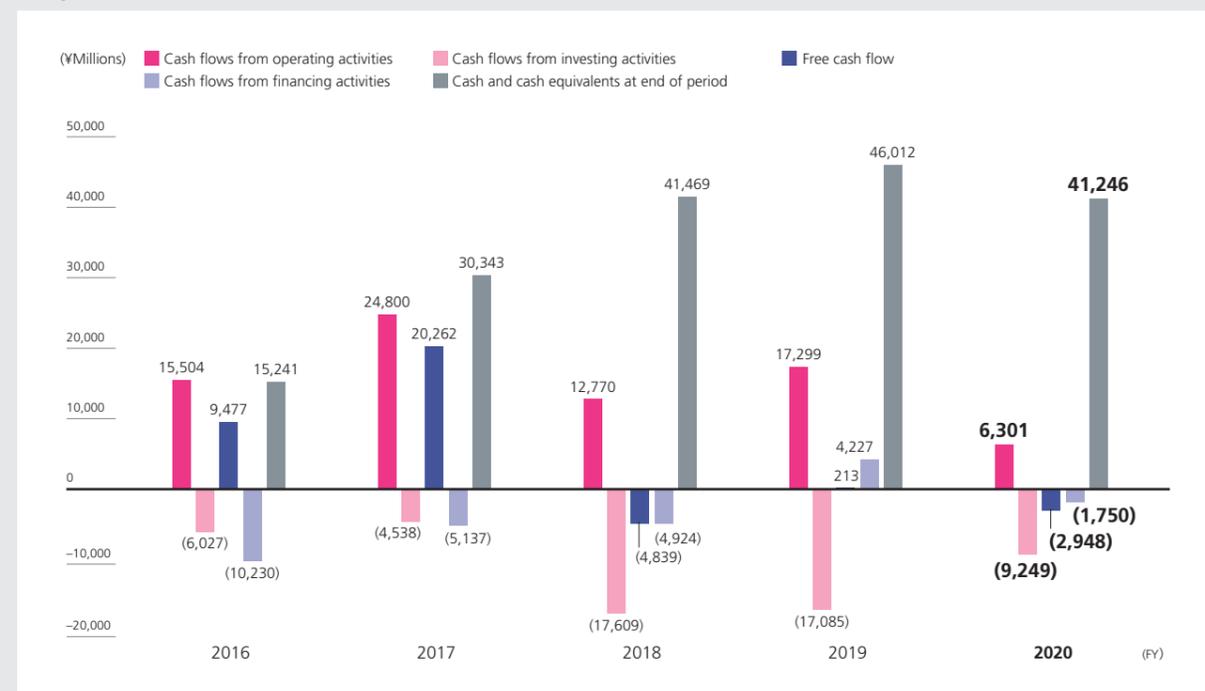
**Cash flows from investing activities**

Funds used in investing activities were ¥9,249 million (¥17,085 million in the previous fiscal year). This was mainly due to acquisition of property, plant and equipment expenses.

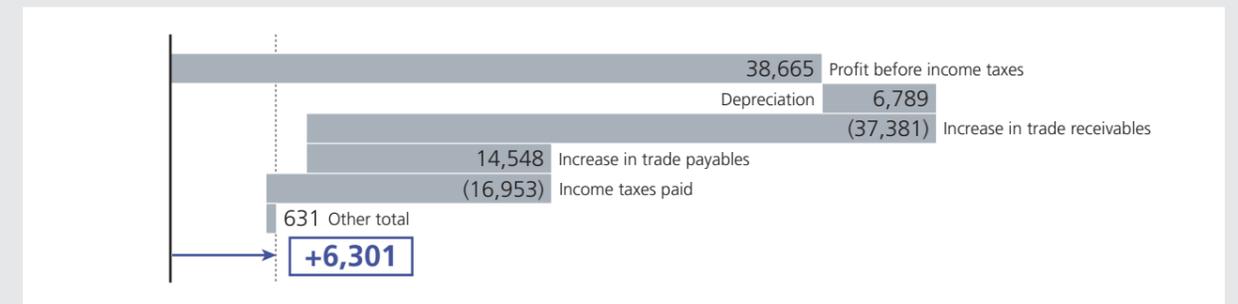
**Cash flows from financing activities**

Funds used in financing activities were ¥1,750 million (¥4,227 million in the previous fiscal year). This was mainly due to payment of dividends.

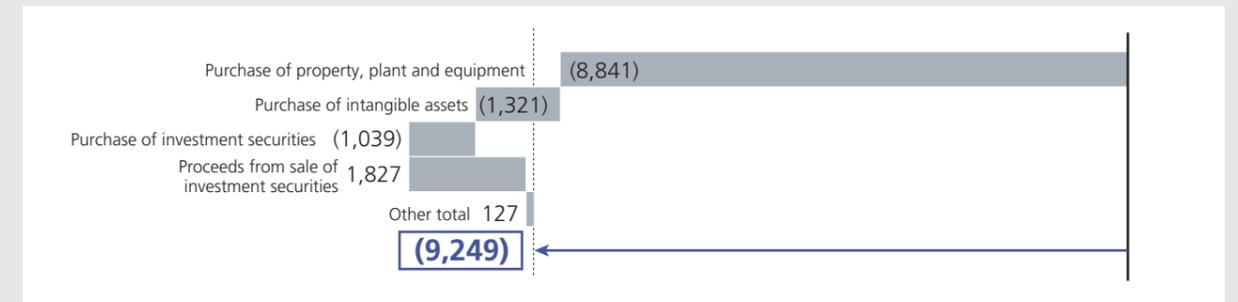
Analytical chart of cash flow status



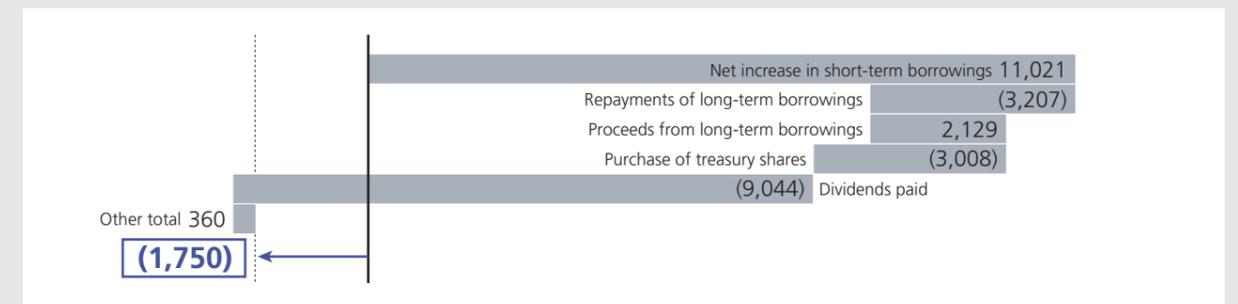
Analytical chart of Cash flows from operating activities (¥Millions)



Analytical chart of Cash flows from investing activities (¥Millions)



Analytical chart of Cash flows from financing activities (¥Millions)



**Capital expenditure status**

The total amount of capital expenditures in the current consolidated fiscal year was ¥12,239 million, mainly due to construction and rebuilding of branch office buildings, and acquisition of telecommunications network equipment.

There was no retirement or sale of important equipment in the current consolidated fiscal year.

We have formulated a cross-group utilization plan for the installation of new equipment based on medium-term usage needs and trends to promote utilization in a systematic and efficient way. There are no plans to retire any important equipment.

Changes in capital expenditure

	(¥Millions)				
	FY2016	FY2017	FY2018	FY2019	FY2020
	7,139	4,194	3,887	15,855	12,239

## Consolidated balance sheets

	(¥Millions)				
	FY2016	FY2017	FY2018	FY2019	FY2020
<b>ASSETS</b>					
Current assets	142,395	152,365	241,708	264,009	300,227
Cash and deposits	15,431	26,095	41,805	47,550	42,785
Notes receivable, accounts receivable from completed construction contracts	96,080	92,185	156,361	166,098	204,657
Securities	63	4,499	895	898	910
Costs on construction contracts in progress	24,159	27,617	38,401	42,542	43,564
Deferred tax assets	3,733	—	—	—	—
Other	2,927	1,967	4,403	7,013	8,388
Allowance for doubtful accounts	(0)	(1)	(158)	(94)	(80)
Non-current Assets	101,042	108,940	174,774	180,895	191,347
Property, plant and equipment	62,002	62,664	97,955	107,677	113,375
Buildings and structures	20,074	21,003	31,603	34,447	38,394
Machinery, vehicles, tools, furniture and fixtures	4,710	4,542	8,738	11,818	13,128
Land	36,197	36,602	55,403	58,654	59,848
Other	1,021	516	2,209	2,757	2,003
Intangible assets	4,414	3,909	14,762	12,777	10,179
Goodwill	1,053	658	10,259	7,640	5,949
Other	3,360	3,251	4,502	5,136	4,229
Investments and other assets	34,626	42,365	62,056	60,440	67,792
Investment securities	17,093	19,833	37,917	34,721	37,707
Retirement benefit asset	14,520	17,947	16,283	17,059	21,641
Deferred tax assets	—	2,737	4,314	—	—
Other	4,228	2,082	4,026	9,096	8,994
Allowance for doubtful accounts	(1,216)	(235)	(485)	(436)	(550)
<b>Total assets</b>	<b>243,438</b>	<b>261,305</b>	<b>416,483</b>	<b>444,905</b>	<b>491,574</b>
<b>LIABILITIES</b>					
Current liabilities	61,283	63,161	114,406	118,132	156,212
Notes payable, accounts payable for construction contracts	36,606	34,802	59,265	60,037	74,890
Short-term borrowings	826	1,012	13,069	6,817	19,509
Current portion of bonds payable	—	—	—	—	10,000
Income taxes payable	4,142	5,004	7,498	7,863	6,766
Advances received on construction contracts in progress	3,457	3,574	5,487	9,762	8,080
Provision for bonuses	1,242	1,421	3,744	4,559	4,990
Provision for bonuses for directors (and other officers)	129	126	420	478	472
Provision for warranties for completed construction	57	58	86	130	148
Provision for loss on construction contracts	507	290	344	2,610	1,384
Other	14,314	16,870	24,489	25,872	29,967
Non-current liabilities	23,874	22,042	34,265	56,662	46,477
Bonds payable	10,000	10,000	10,000	30,000	20,000
Long-term borrowings	1,390	10	4,659	8,965	6,837
Deferred tax liabilities	5,244	4,966	6,965	5,681	8,328
Provision for retirement benefits for directors (and other officers)	257	272	604	750	648
Allowance for investment loss	206	42	—	—	—
Retirement benefit liability	4,925	5,070	9,283	8,436	7,963
Other	1,851	1,680	2,753	2,828	2,699
<b>Total liabilities</b>	<b>85,158</b>	<b>85,204</b>	<b>148,671</b>	<b>174,795</b>	<b>202,689</b>
<b>NET ASSETS</b>					
Shareholders' equity	147,333	161,682	252,870	255,893	269,805
Share capital	6,888	6,888	6,888	6,888	6,888
Capital surplus	7,978	8,098	47,868	49,604	49,844
Retained earnings	156,477	169,883	204,647	211,195	226,294
Treasury shares	(24,011)	(23,187)	(6,534)	(11,795)	(13,221)
Accumulated other comprehensive income	10,470	13,891	11,026	10,559	15,848
Valuation difference on available-for-sale securities	3,566	5,198	4,603	4,210	6,451
Foreign currency translation adjustment	15	11	(65)	193	(268)
Remeasurements of defined benefit plans	6,888	8,681	6,488	6,156	9,665
Share acquisition rights	288	285	355	318	262
Non-controlling interests	187	242	3,559	3,337	2,968
<b>Total net assets</b>	<b>158,280</b>	<b>176,101</b>	<b>267,811</b>	<b>270,109</b>	<b>288,884</b>
<b>Total liabilities and net assets</b>	<b>243,438</b>	<b>261,305</b>	<b>416,483</b>	<b>444,905</b>	<b>491,574</b>

## Consolidated statements of income

	(¥Millions)				
	FY2016	FY2017	FY2018	FY2019	FY2020
<b>Net sales of completed construction contracts</b>	298,825	312,669	423,727	524,574	573,339
Cost of sales of completed construction contracts	260,344	269,315	365,389	456,247	497,474
<b>Gross profit on completed construction contracts</b>	38,480	43,354	58,337	68,327	75,865
Selling, general and administrative expenses	17,607	17,732	26,620	37,226	39,241
<b>Operating profit</b>	20,873	25,621	31,716	31,100	36,623
<b>Non-operating income</b>	1,936	1,398	2,468	2,076	2,861
Interest income	4	4	16	36	25
Dividend income	315	403	537	749	1,111
Reversal of allowance for doubtful accounts	111	34	—	—	—
Foreign exchange gains	—	—	—	—	483
Rental income from land and buildings	572	401	295	415	424
Gain on sales of non-current assets	437	114	592	—	—
Reversal of allowance for investment loss	—	170	—	—	—
Gain on exchange of investment securities	—	—	346	—	—
Gain on step acquisitions	203	—	—	—	—
Other	290	269	679	875	815
<b>Non-operating expenses</b>	1,400	571	753	2,507	1,297
Interest expenses	49	33	48	208	148
Rent expenses	185	105	56	—	—
Loss on sales of non-current assets	516	57	4	—	—
Loss on retirement of non-current assets	45	68	118	—	325
Loss on valuation of investment securities	—	1	106	425	—
Foreign exchange losses	143	169	—	522	—
Impairment loss	—	—	135	411	406
Other	458	136	284	938	418
<b>Ordinary profit</b>	21,409	26,448	33,431	30,669	38,186
<b>Extraordinary income</b>	1,471	—	18,313	658	478
Gain on sales of investment securities	1,262	—	—	658	478
Gain on abolishment of retirement benefit plan	209	—	—	—	—
Gain on bargain purchase	—	—	18,313	—	—
<b>Extraordinary losses</b>	2,159	—	126	4,473	—
Impairment loss	2,159	—	—	—	—
Goodwill amortization	—	—	126	—	—
Goodwill impairment loss	—	—	—	4,473	—
<b>Profit before income taxes</b>	20,721	26,448	51,617	26,854	38,665
Income taxes-current	7,719	8,018	11,943	11,438	14,261
Income taxes-deferred	(737)	375	(658)	(240)	73
Total income taxes	6,982	8,393	11,284	11,198	14,335
<b>Profit</b>	13,739	18,054	40,333	15,656	24,330
<b>Profit (loss) attributable to non-controlling interests</b>	(50)	61	113	53	137
<b>Profit attributable to owners of parent</b>	13,789	17,993	40,219	15,603	24,192

## Consolidated statements of comprehensive income

	(¥Millions)				
	FY2016	FY2017	FY2018	FY2019	FY2020
<b>Profit</b>	13,739	18,054	40,333	15,656	24,330
<b>Other comprehensive income</b>					
Valuation difference on available-for-sale securities	(554)	1,631	(625)	(394)	2,242
Foreign currency translation adjustment	(30)	(10)	(92)	265	(466)
Remeasurements of defined benefit plans	216	1,793	(2,193)	(332)	3,510
Total other comprehensive income	(368)	3,414	(2,911)	(461)	5,286
<b>Comprehensive income</b>	13,370	21,469	37,421	15,195	29,617
Breakdown					
Comprehensive income attributable to owners of the parent	13,438	21,413	37,354	15,137	29,481
Comprehensive income attributable to non-controlling interests	(68)	55	67	58	135

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2020

(¥Millions)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total			
<b>Balance at beginning of period</b>	6,888	47,868	204,647	(6,534)	252,870	4,603	(65)	6,488	11,026	355	3,559	267,811
<b>Changes during period</b>												
Dividends of surplus			(8,764)		(8,764)							(8,764)
Profit attributable to owners of parent			15,603		15,603							15,603
Purchase of treasury shares				(5,009)	(5,009)							(5,009)
Disposal of the treasury shares		1,563		2,167	3,731							3,731
Receive of treasury shares via trust				(3,079)	(3,079)							(3,079)
Transfer of treasury shares via trust				659	659							659
Change in scope of consolidation			11		11							11
Change in equity due to additional acquisition of consolidated subsidiary stock		(2)			(2)							(2)
Sales of shares of consolidated subsidiaries		174			174							174
Merger between consolidated subsidiaries and unconsolidated subsidiaries			(302)		(302)							(302)
Net changes of items other than shareholders' equity						(392)	258	(331)	(466)	(36)	(221)	(724)
<b>Total changes during period</b>	—	1,735	6,547	(5,261)	3,022	(392)	258	(331)	(466)	(36)	(221)	2,298
<b>Balance at end of period</b>	6,888	49,604	211,195	(11,795)	255,893	4,210	193	6,156	10,559	318	3,337	270,109

Fiscal year ended March 31, 2021

(¥Millions)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total			
<b>Balance at beginning of period</b>	6,888	49,604	211,195	(11,795)	255,893	4,210	193	6,156	10,559	318	3,337	270,109
<b>Changes during period</b>												
Dividends of surplus			(9,093)		(9,093)							(9,093)
Profit attributable to owners of parent			24,192		24,192							24,192
Purchase of treasury shares				(3,008)	(3,008)							(3,008)
Disposal of the treasury shares		99		327	426							426
Receive of treasury shares via trust												
Transfer of treasury shares via trust				1,255	1,255							1,255
Change in scope of consolidation												
Change in equity due to additional acquisition of consolidated subsidiary stock		140			140							140
Sales of shares of consolidated subsidiaries												
Merger between consolidated subsidiaries and unconsolidated subsidiaries												
Net changes of items other than shareholders' equity						2,241	(461)	3,509	5,289	(56)	(369)	4,862
<b>Total changes during period</b>	—	239	15,098	(1,425)	13,912	2,241	(461)	3,509	5,289	(56)	(369)	18,775
<b>Balance at end of period</b>	6,888	49,844	226,294	(13,221)	269,805	6,451	(268)	9,665	15,848	262	2,968	288,884

## Consolidated statements of cash flows

(¥Millions)

	FY2016	FY2017	FY2018	FY2019	FY2020
<b>Cash flows from operating activities</b>	15,504	24,800	12,770	17,299	6,301
Profit before income taxes	20,721	26,448	51,617	26,854	38,665
Depreciation	3,251	3,272	4,725	6,473	6,789
Impairment loss	2,159	0	135	411	406
Goodwill impairment loss	—	—	—	4,473	—
Amortization of goodwill	929	395	1,201	1,987	1,864
Gain on bargain purchase	—	—	(18,313)	(65)	(33)
Increase (decrease) in allowance for doubtful accounts	(148)	(980)	50	(117)	102
Increase (decrease) in provision for bonuses	117	179	419	715	406
Increase (decrease) in provision for warranties for completed construction	(850)	0	28	44	17
Increase (decrease) in provision for loss on construction contracts	248	(216)	(106)	2,266	(1,226)
Increase in defined benefit asset or liability	(399)	(694)	(1,231)	(2,233)	(191)
Interest and dividend income	(319)	(407)	(554)	(785)	(1,137)
Interest expenses	49	33	48	208	148
Loss (gain) on sales of non-current assets	79	(56)	(588)	(19)	1
Loss (gain) on sales of investment securities	(1,262)	0	(67)	(480)	(473)
Decrease (increase) in trade receivables	(3,127)	3,892	(28,202)	(8,581)	(37,381)
Decrease (increase) in costs on construction contracts in progress	(2,659)	(3,447)	701	(3,517)	(960)
Decrease (increase) in other assets	965	2,175	(1,009)	(2,916)	711
Increase (decrease) in trade payables	(1,014)	(1,802)	9,240	408	14,548
Increase (decrease) in advances received on construction contracts in progress	204	118	198	4,099	(1,935)
Increase (decrease) in other liabilities	2,671	2,327	4,528	(1,474)	1,529
Gain on exchange of investment securities	(203)	—	—	—	—
Gain on abolishment of retirement benefit plan	(209)	—	—	—	—
Other, net	390	285	364	436	429
Sub-total	21,595	31,523	23,187	28,188	22,282
Interest and dividends income received	318	408	552	786	1,137
Interest paid	(66)	(33)	(49)	(170)	(164)
Income taxes paid	(6,343)	(7,098)	(10,920)	(11,505)	(16,953)
<b>Cash flows from investing activities</b>	(6,027)	(4,538)	(17,609)	(17,085)	(9,249)
Purchase of property, plant and equipment	(5,761)	(3,214)	(2,757)	(12,693)	(8,841)
Proceeds from sales of property, plant and equipment	901	352	698	810	90
Purchase of intangible assets	(2,416)	(1,010)	(1,079)	(1,827)	(1,321)
Purchase of investment securities	(443)	(429)	(484)	(1,587)	(1,039)
Proceeds from sales of investment securities	1,686	0	233	4,038	1,827
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	—	(16,961)	(5,083)	(77)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	—	—	(128)	(20)
Loan advances	(111)	(204)	(358)	(125)	(161)
Proceeds from collection of loans receivable	1	1	3,098	45	61
Increase (decrease) in time deposits	44	1	20	(184)	(0)
Other, net	72	(35)	(20)	(350)	234
<b>Cash flows from financing activities</b>	(10,230)	(5,137)	(4,924)	4,227	(1,750)
Net increase (decrease) in short-term borrowings	(12,306)	(100)	4,130	(6,821)	11,021
Proceeds from issuance of bonds	9,991	—	—	19,904	—
Repayments of long-term borrowings	(1,227)	(1,093)	(2,474)	(2,609)	(3,207)
Proceeds from long-term borrowings	—	—	1,260	7,474	2,129
Purchase of treasury shares	(3,002)	(3)	(3,015)	(5,009)	(3,008)
Proceeds from sale of treasury shares	153	308	339	3,620	161
Receive of treasury shares via trust	—	—	—	(3,079)	—
Transfer of treasury shares via trust	733	515	685	659	1,255
Dividends paid	(4,329)	(4,581)	(5,425)	(8,749)	(9,044)
Dividends paid to non-controlling interests	—	—	—	(36)	(381)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	—	(96)	(655)	(105)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	—	—	287	—
Other, net	(244)	(182)	(329)	(758)	(570)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(42)	(23)	(113)	(18)	(67)
<b>Net increase (decrease) in cash and cash equivalents</b>	(796)	15,101	(9,877)	4,422	(4,766)
<b>Cash and cash equivalents at beginning of period</b>	16,037	15,241	30,343	41,469	46,012
<b>Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation</b>	—	—	55	5	—
<b>Increase in cash and cash equivalents resulting from merger of consolidated and non-consolidated subsidiaries</b>	—	—	—	114	—
<b>Increase in cash and cash equivalents due to share exchange</b>	—	—	20,948	—	—
<b>Cash and cash equivalents at end of period</b>	15,241	30,343	41,469	46,012	41,246

Corporate Data (as of March 31, 2021)

<b>Company Name</b>	KYOWA EXEO CORPORATION
<b>Established</b>	May 17, 1954
<b>Paid-in Capital</b>	¥6,888 million
<b>Fiscal year-end</b>	March 31
<b>Stock listing</b>	Tokyo Stock Exchange (First Section)
<b>President &amp; CEO</b>	Tetsuya Funabashi
<b>Net Sales</b>	¥573.3 billion (consolidated) (fiscal year ended March 31, 2021)
<b>Number of Employees</b>	14,374 (consolidated)
<b>Head Office</b>	29-20, Shibuya 3-chome, Shibuya-ku, Tokyo
<b>West Japan Head Office</b>	2-10, Uchihonmachi 2-chome, Chuo-ku, Osaka
<b>Number of business offices</b>	Headquarters and branch offices: 15 Sales offices: 22
<b>Consolidated subsidiaries</b>	Kyowa Exeo Group (69 companies); C-Cube Group (18 companies); Seibu Electric Industry Group (6 companies); Nippon Dentsu Group (10 companies) Note: Excludes non-consolidated subsidiaries (16 companies) and affiliated companies (17 companies)
<b>Correspondent Banks</b>	Mizuho Bank / Sumitomo Mitsui Banking Corporation / MUFG Bank

Group companies (domestic)

<p><b>Kyowa Exeo Group</b></p>	 <p><b>Major business activities</b></p>  <p><b>Group companies (overseas)</b></p> <ul style="list-style-type: none"> <li>•Singapore EXEO GLOBAL Pre. Ltd.</li> <li>•Philippines MG EXEO NETWORK, INC.</li> <li>•Thailand EXEO ASIA COMPANY LIMITED</li> </ul>
<p><b>C-Cube Group</b></p>	 <p><b>Major business activities</b></p> 
<p><b>Seibu Electric Industry Group</b></p>	 <p><b>Major business activities</b></p> 
<p><b>Nippon Dentsu Group</b></p>	 <p><b>Major business activities</b></p> 

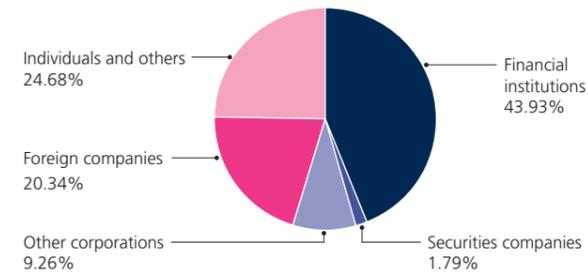
Stock Information (as of March 31, 2021)

Shareholding

**Common Stock** Authorized: 300,000,000 shares  
Issued: 117,812,419 shares

**Total Number of Shareholders** 22,524

Shareholding structure



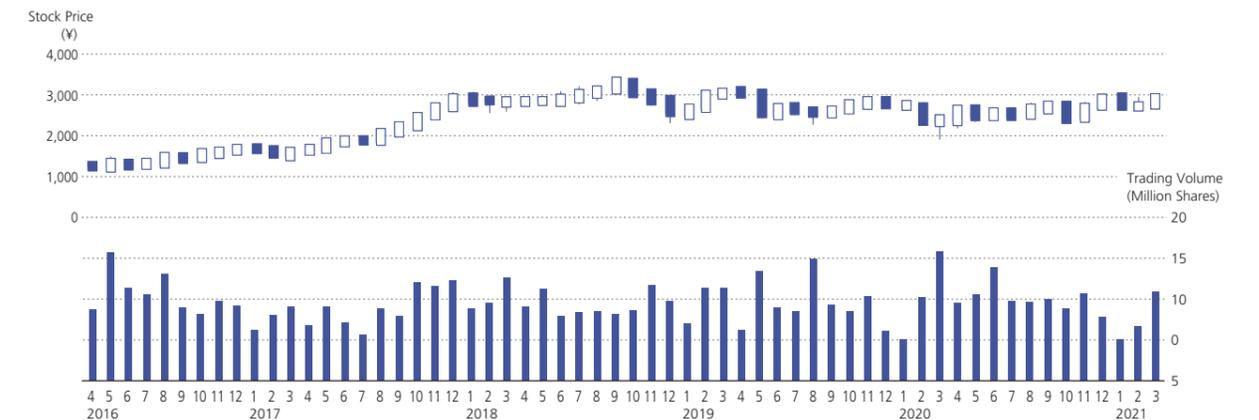
Treasury stock is included in "Individuals and Others".

Major Shareholders

	Number of shares held (thousand)	Percentage of total (%)
Custody Bank of Japan, Ltd. (Trust Account)	13,000	11.68
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,641	9.56
ESOP Association of KYOWA EXEO CORPORATION	4,221	3.79
SUMITOMO LIFE INSURANCE COMPANY	2,296	2.06
Sumitomo Realty & Development Co., Ltd.	2,081	1.87
Custody Bank of Japan, Ltd. (Mitsui Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	1,834	1.65
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	1,600	1.44
Custody Bank of Japan, Ltd. (Sumitomo Electric Industries, Ltd. Retirement Benefit Trust Account reentrusted by Sumitomo Mitsui Trust Bank, Limited)	1,500	1.35
GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	1,497	1.35
Custody Bank of Japan, Ltd. (Trust Account 7)	1,459	1.31

Note: The Company holds 6,501 thousand shares of treasury stock although those shares are not included in the above table. The percentage of total shares issued is calculated by excluding treasury stock.

Stock Price Range and Trading Volume on the Tokyo Stock Exchange



External evaluation

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Since 2017, Kyowa Exeo has for four consecutive years been selected as a constituent stock for the MSCI Japan ESG Select Leaders Index.



In fiscal 2020, the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) selected our company as a "Semi-Nadeshiko Brand" as a listed company that excels in promoting the activities of women. Kyowa Exeo was selected in recognition of our efforts to promote women to management positions, to support their career development, and to create a comfortable working environment.